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SOCIAL DEVELOPMENT: QUESTIONS RELATING TO THE WORLD SOCIAL SITUATION AND TO YOUTH, AGEING, DISABLED PERSONS AND THE FAMILY

Implementation of the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future

Report of the Secretary-General

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I. INTRODUCTION

1. In paragraph 14 (e) of its resolution 44/65, the General Assembly requested the Secretary-General to report to it at its forty-sixth session on the progress achieved in implementing and following-up the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future, 1/ as well as resolution 44/65 itself. As at mid-June 1991, information had been provided by 32 Governments, 2/ 14 entities of the United Nations system, 3/ two other intergovernmental organizations, 4/ three international non-governmental organizations, 5/ two provincial governments, 6/ one national non-governmental organization, 7/ two national social development and social welfare councils, 8/ six national research and training institutions and university departments of sociology or of social work, 9/ as well as a number of individual specialists. This information was taken into account in preparing the present report.

II. CONCLUSIONS AND RECOMMENDATIONS

2. The review of progress made towards achievement of the goals and targets identified by the Guiding Principles, which is summarized in sections III to V below, leads to the following conclusions:

(a) In all countries, irrespective of the level of material development, type of societal management or nature of the socio-cultural context, Governments are increasingly aware that political and economic objectives can be achieved only if the fullest attention is given to complementary action to satisfy social aims;

(b) Governments are also increasingly aware that, in order to advance simultaneously, harmoniously and in a sustainable manner towards realization of political, economic and social goals, it is essential to undertake distinct but carefully integrated actions at both the macro-level and at the meso-level - in respect to both sectoral- and population group-oriented policy areas - but also at the micro-level, by means of approaches that are individual, family and community oriented. Action at the intermediate and micro-level is unlikely to succeed unless macro-level strategies create a favourable context, but, equally, macro-level approaches must be extended effectively through meso-level policy areas and intensified at the micro-level if their purpose is to be achieved;

(c) In circumstances of persistent tension, inefficiency and insustainability in global society, and in view of governmental recognition of the fundamental need for comprehensive and integrated action, the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future are seen to be a valuable basis for undertaking strategic adjustments in approach, as well as for substantially enhancing the effectiveness of policy intervention at the micro-level, which is an essential complement to policy intervention at the meso- and macro-levels;

(d) While growing recognition of the relevance and value of the Guiding Principles, and its translation into formal policy declarations, can be clearly observed, evidence of effective execution of proposals is less obvious. This appears to reflect both conceptual and operational factors. When they were adopted, the Guiding Principles expressed a current trend in policy development: they were formulated on the basis of the actual experience of some countries and the already existing interest of many others. Such countries have not needed to be persuaded of the value of the Guiding Principles: their actions are fully consonant with its recommendations. Certain other countries, particularly those engaged in substantial societal change, have found the Guiding Principles to be a valuable set of proposals which have helped in their policy development. The remaining countries, while recognizing the relevance and correctness of the Guiding Principles, consider that very substantial reorganization would be necessary to execute them. One obstacle is seen to be the operational requirements for effective implementation. This is also recognized by countries the Governments of which have already fully incorporated the concepts expressed in the Guiding Principles in their policy proposals;

(e) Operational requirements are such that considerable resources, including those needed for institutional reorganization and for major recruitment and training programmes, must be found at a time of widespread financial retrenchment. Solutions must be found by means of greatly improved efficiency, but this cannot be at the expense of achievement of policy goals. Moreover, effective adaptation and innovation themselves require expenditure of research and development resources, as well as great administrative flexibility and vision. At present, allocation of needed resources appears to be inhibited by the persistence of the belief that, in the apparent dichotomy between "economic" and "social" the latter must necessarily take second place. This reasoning is increasingly recognized to be false, for economic and social are but two separate perceptions of a single reality, the real operational distinctions between components of societal management strategies being those between macro-, meso-, and micro-levels. A further inhibition is the view that micro-level action is concerned with marginal sections of society, of no great relevance to central issues. However, there is increasing recognition also that this is not the case, and that not only does the total of such "target" populations constitute a high proportion of society, but that they are far from being marginal to central problems of economic production and consumption, sustainable growth, societal welfare and political stability;

(f) In these circumstances, and given the clear interdependence of all nations within global society, there appears to exist an urgent need for solidarity among nations and for substantial support from the institutions of the international community. In some areas, such solidarity and support is forthcoming, but in many cases contributions made by relevant organizations, including those of some parts of the United Nations system, have not yet reached either a level commensurate with need, or with the potential constituted by their accumulated experience, expertise and capacity for mobilization and harmonization at regional and global levels. One factor is

clearly the lack of financial resources, which has reduced responsible entities to a level of skeletal staffing quite insufficient for carrying out their functions. A second factor appears to be the still insufficient institutional arrangements for harmonizing cooperation and promoting joint efforts.

3. On the basis of these conclusions, the General Assembly may wish to consider the following actions:

(a) Reiterating the requests set out in its resolutions 42/125 and 44/65, as well as in Economic and Social Council resolution 1991/7, that Governments make further efforts to implement the Guiding Principles;

(b) Re-emphasizing its previous requests to the constituent entities of the United Nations system to take further action to promote and support national efforts to implement the Guiding Principles;

(c) Calling upon intergovernmental bodies outside the United Nations system to collaborate more effectively with it in carrying out the recommendations of the Guiding Principles;

(d) In view of the importance of a comprehensive international exchange of experience in the extension and intensification of macro-level and meso-level policy action to the micro-level, all Governments might be urged to collaborate more closely with the Secretary-General in monitoring progress;

(e) Given the need for a common approach by the organizations of the United Nations system to the implementation of the Guiding Principles, the United Nations Office at Vienna/Centre for Social Development and Humanitarian Affairs (UNOV/CSDHA) should make greater use of existing mechanisms for system-wide coordination in order to achieve greater coherence and harmonization;

(f) Given the need to make the fullest use of scarce resources for the purpose of monitoring implementation of the Guiding Principles, UNOV/CSDHA should establish, within existing resources, a global informal network for collecting and disseminating relevant information and exchanging research findings;

(g) In preparing for the observance of the International Year of the Family (1994), special attention should be given to the question - which is stressed in the Guiding Principles - of family-oriented approaches to provision of social welfare services, and particularly to the role of the family as recipient and as agent for provision of such services, as well as to the implications thereof for each family member, notably women;

(h) As part of preparations for the observance of the International Year of Indigenous Peoples (1993), a programme of policy-oriented research and development might be undertaken by UNOV/CSDHA within existing resources with the collaboration of all interested institutions, with a view to developing

policy guidelines and carrying out programmes to achieve the linking of indigenous community institutions and associations at the local level with national social welfare systems, while assuring proper respect for the autonomy of such communities;

(i) In collaboration with all concerned United Nations and other intergovernmental global and regional training institutes and interested international non-governmental organizations and governmental agencies, a technical assistance programme should be devised for training all categories of personnel required to ensure an effective execution of micro-level programmes at the individual, family and community levels.

III. TRENDS IN IMPLEMENTATION AT THE NATIONAL LEVEL: SECTORAL- AND POPULATION GROUP-ORIENTED POLICY AREAS AND THEIR INTENSIFICATION AT INDIVIDUAL, FAMILY AND COMMUNITY LEVELS

4. National activities designed to achieve the macro-level objectives of the Guiding Principles, such as poverty reduction, are undertaken as central elements of broad developmental strategies in most countries. The same is true of activities intended to achieve goals in sectoral policy areas such as employment, social security and education, as well as aims in population group-oriented policy areas. They constitute the actions at macro- and meso-levels recommended in the Guiding Principles. 10/

5. The Guiding Principles also made numerous recommendations for action at the micro-level, and Governments, in growing collaboration with the private sector, are giving increasing emphasis to more effective action at this level. They distinguish more, and more explicitly, in respect to function, target population and means of implementation, between contributions made to achievement of societal aims at macro- and meso-policy levels on the one hand, and those at micro-level on the other. By means of the former, Goverments address the population as a whole, or major sections of it. In doing so, they take into account only the most salient of individual characteristics, and are not concerned with the family or community context in which targeted individuals live and work. Measures are administered in a manner which requires minimal interaction between agency personnel and the public. Agencies do not seek to involve families and communities in the execution of measures. In contrast, in their micro-level policy actions, Governments specifically address relatively small sections of the population, suffering from severe disadvantage or dysfunction. Measures require for their effective execution full consideration of individual circumstances. They are administered by means of highly personalized contact between agency personnel and targeted individuals, and require full involvement of families and communities in their execution.

6. Intervention at the micro-level is perceived by Governments to have the function of extending broader programmes in a much more intensive manner, in order to deal with particularly difficult circumstances. Such intensification

is regarded as essential in order that general measures, designed to achieve desirable society-wide conditions, succeed in reaching those persons who would otherwise not respond.

7. Micro-level intervention requires special forms of activity, institutional structures and personnel assignment. They comprise the individual-, family-, and community-oriented approaches which the Guiding Principles emphasize. These are the areas of activity of social work, community work and counselling, including the specialized activity of administering specially adjusted broad programmes to persons able to participate only with additional support. They are undertaken not only by professionally trained specialists, supported by administrative and technical personnel, in both public and private agencies, but also by many other providers of support, care and guidance in local communities. In all societies, the network of persons who form the social context of each individual's everyday life remains the predominant provider of material and emotional care and support. For most people, during much of their lives, this context is still constituted largely by members of their own families.

8. This mix of activity, public and private, professional and lay, exists in countries at all levels of material development and in each of the major socio-cultural environments. There is an increasing tendency for Governments to draw, in an explicit and coordinated manner, upon all of these resources for problem solving, including those of the individual who is the object of attention. This is being done partly in response to the exigencies of societal conditions, including changes in demand, and partly as a consequence of growing experience in policy formulation and execution. There appears to be a strong tendency towards a common conceptualization of these functions of developmental social welfare within overall societal management strategies in countries throughout the world, and an even greater convergence in organizational and technological approaches. Nevertheless, there remains much diversity, inherited from distinctive approaches to societal management and expressing distinct socio-cultural perceptions. Moreover, differences in broad economic conditions, social structures and political and administrative systems are also responsible for much variety.

A. Trends in developing countries

9. In a few countries in Africa, Asia and Latin America, particularly advantageous economic circumstances have permitted establishment of comprehensive social welfare services. Governments are constantly adjusting them to meet the needs of individuals with particular problems, as economic prosperity has not automatically assured freedom from stress, nor resolution of discrepancies between persistent values and new organizational and technological contexts.

10. The situation seems to be much less favourable in most other developing countries. Here Governments have long regarded substantial individual-, family-, and, particularly, community-oriented services, both public and

private, as vital means to implement broader programmes, particularly by means of facilitating community participation in their execution. However, these are still oriented largely to urban populations, and even here are largely unable to cope with demand. Severe individual, family and community dysfunctions, which appear more pronounced in advantaged societies because of relatively lesser extent of mass poverty there, are no less widespread in developing countries, even though here they appear to be swamped by the widespread incidence of poverty. They exist not only as an expression of the universal nature of the human condition, but indeed assume ever more acute forms given the hostile environment, multiple pressures, and disintegration of endogenous provisions for prevention, care and adjustment.

11. The Economic Commission for Latin America and the Caribbean has identified principal changes in the characteristics of the sub-populations in need of social welfare services. There has been an increase in the proportion of consensual unions in total unions, affecting mainly young people from the lowest social strata, offering weaker socialization contexts to children, reflected in poor performance at school. An increase in the proportion of illegitimate births out of total births is probably related to the growing proportion of adolescents among women having children. A decline in rates of school attendance coincides with significant increases in the youth unemployment rate. A greater proportion of young persons are in a situation of marginality, with no participation in either educational or occupational systems. The gap in access to basic social services between rural and urban areas has widened. Women's increasing responsibility for the economic sustenance of households and the socialization of new generations is not supported by a corresponding reduction in the strength of traditional sex discrimination patterns operating in the labour market. The prevailing trend in the occupational structure is transfer of the labour force from high to low productivity employment, associated with open unemployment and reduction in personal and household incomes.

12. In these circumstances, action at the macro- and meso-levels is essential in order to remove basic causes. However, there is much scope for micro-level action, both as a means to extend broader measures to already seriously dysfunctional individuals and communities, and also in order to resolve the vast problems of disadvantage and denial of social, political and economic rights already created. In many of these countries, emphasis upon community-oriented approaches is also perceived to be a means to safeguard cultural values and ensure their full inclusion in societal change. However, as the International Federation of Social Workers notes, its national member associations report that not only clients but social workers and social welfare systems themselves have been deeply and negatively affected by the present economic recession.

13. Although no global review is yet possible, it appears that in at least some countries more effective integration of macro-, meso- and micro-level action is planned. In Colombia, for example, eradication of the causes of poverty constitutes the central objective of the National Plan for Social Economy [Plan de Economia Social]. Reorientation of public expenditure

towards social projects is considered indispensable given that this not only benefits the poorest, but generates a greater demand for domestic production than those types of investment where the import component predominates. There are two main approaches. The first is maintenance of national economic equilibrium, which is indispensable in order to achieve high and stable rates of economic growth and greater generation of employment. The second comprises restructuring of plans specific to the requirements of different areas and population groups. In Colombia, a Plan for Integrated Rural Development [Plan de Desarrollo Integral Campesino] is concerned with the rural poor while a Plan for Eradication of Absolute Poverty [Plan para la Erradicación de la pobreza Absoluta], is concerned predominantly with urban areas. In each plan, programmes in education, health, infant and child care, basic nutrition, rehabilitation of human settlements and provision of the infrastructure and training necessary in order to expand productive activity have been reoriented specifically towards the poorest groups within the population to be affected. Execution is the responsibility of both central and local authorities. Community participation, including that of beneficiaries, in the management and execution of programmes is considered essential.

14. In Mexico, the National Programme of Solidarity [Programa Nacional de Solidaridad], an element of the National Development Plan for 1989-1994, the objective of which is to overcome poverty, is directed to indigenous communities and other rural and urban poor and is based upon four principles: respect for the initiatives of communities, their customs, forms of organization and interests; active participation in decision-making with regard to project formulation and execution; full involvement of community institutions and social groups in execution of programmes and in guaranteeing that they benefit all participants; and openness in administration, so that information on costs, scheduling, and contracting is available to all.

15. In some countries, very specific circumstances require considerable policy adjustments. In South Africa, for example, the partial dismantlement of the apartheid system so far achieved, taking place in circumstances of economic recession, make necessary a major extension of public sector services in support of the previously predominantly private sector, desegregated since 1983, but unable to cope with very rapid increase in urban and other squatter settlements. Stress and dysfunction consequent upon both apartheid and current social tensions call for vigorous action at family and community levels.

16. A review of developments during 1987-1989 prepared by the International Social Security Association reveals that in spite of a continuing unfavourable economic climate during the past three years, social security schemes have been able to adapt rapidly to the changes taking place in society. A notable example of this effort is the supplementary assistance given to single-parent families - which are increasingly numerous - or to those who agree to extend their family circle by taking in an elderly or handicapped relative. 11/

17. In some countries suffering from very severe economic and environmental pressures, attempts are still being made to introduce innovative improvements

in welfare coverage. For example, in Burkina Faso where measures designed to secure the full integration of disabled persons, and to provide shelters for the destitute, street children, and victims of drought and floods, have been recently undertaken. In most such countries, however, catastrophic conditions have overwhelmed even normal macro-level and meso-level intervention.

18. Moreover, in many developing countries, even where social welfare figures significantly in national plans, there is still insufficient recognition of the value of an extension of sectoral and group-oriented policy areas by action at the micro-level, and their intensification by means of specially coordinated measures to deal with the persistent and hitherto intractable problems of severely disadvantaged sub-populations. Many policy declarations are made and plans formulated, but few resources allocated and action rarely completed.

B. Trends in countries moving towards market-oriented conditions

19. In countries moving from socialist central planning towards democratic pluralist and market-determined conditions, political change has been very rapid, but economic and social adjustment much slower. Structural changes have brought about increased inflation; unemployment, particularly among women, not covered by previous social security provisions; poverty; and collapse of certain social services. This has increased the incidence of stress and individual dysfunction, resulting in more delinquency, crime and drug and alcohol abuse. At the same time, there has become visible the widespread existence of categories of individuals and families suffering severe problems not catered to by former social welfare systems. Particularly affected are disabled children and youth, elderly persons living alone and young mothers.

20. In these countries, in the formulation of coherent policy, some difficulty is being experienced in bringing together diverse views, including: public expectations of benefits from welfare state capitalism; reluctance to lose certain forms of pre-existing coverage; fear that it will be financially and administratively impossible to ensure coverage in new circumstances of large-scale unemployment and rapid change; and fear that achievement of welfare state conditions may dampen the nascent competitiveness considered essential to stimulate economic growth and rapid transition to a market-oriented context. In the Czech and Slovak Federal Republic, the Government committed itself in July 1990 to building a society based upon law, with a socially and ecologically oriented economy. The Government's social strategy is focused on the solution of unemployment, provision of adequate income for working people and their families and appropriate social security. Programmes are being adjusted to new economic conditions and needs arising from the changes of the old system which require solution of problems such as overemployment, inappropriate wages and pauperization of pensions. Problems which had not been mentioned in the past (for example, drug abuse and incidence of AIDS/HIV), as well as questions of minorities and the gypsy

population are being tackled. A long-term social policy conception, based on the Guiding Principles has been elaborated. The "safety net" system of measures has been designed in order to guarantee to all citizens a minimum level of protection in serious social situations.

21. In the USSR, central and republic governments recognize that economic reform is a precondition for, but is also impossible without, radical social reform, and that investment therein must be regarded as a major contributor to the solution of problems such as mass poverty. Recent intervention has been very considerable in sectoral and group-oriented policy areas and has been directed towards major disadvantaged sections of society. During 1989 and 1990, social security legislation has been adopted aiming at extending and rationalizing coverage, reorganizing programmes and establishing effective institutions. Substantial extensions are being examined during 1991.

22. Measures at local levels in the USSR have been limited to establishment of a network of local labour offices and family planning and counselling centres. It is being found necessary to construct entirely new systems for individual, family, and community services, formerly scarcely existing except in very limited and highly institutionalized form for some disabled children, older persons and juvenile delinquents. New forms of linkage of these to sectoral and group-oriented policy areas, themselves undergoing radical adjustment in an entirely different societal environment, are being considered. However, here and in other countries engaged in transition, resources are not yet adequate to extend and intensify sectoral and group-oriented policy action at the micro-level. The prerequisite institutional and personnel structures necessary for such purpose themselves scarcely yet exist, although first steps are being taken to remedy this situation. 12/

C. Trends in developed countries

23. In most developed market-oriented welfare States a major factor of relevance to changing demand for social welfare services is the continuing ageing of the population and notably the growing proportion of very old persons, a high proportion of whom are women and suffer from some form of disability. In a few such States, a renewed rise in birth rates is also significant. In many, increased unemployment has led to larger numbers of poor persons. There has been a significant increase in single parent households and child poverty. In a number of countries, a decline in de facto retirement age has occurred, and increasing numbers of younger retirees exist, often in unsatisfactory conditions. A high proportion of the younger population is economically inactive. They are affected by psychological problems, frequently expressing their difficulty in adjusting to society through drug, alcohol and tobacco abuse and delinquent behaviour. Crime rates are rising. Community decline, increase in homelessness, and racial tensions are more common. First and second generation immigrants, residual indigenous populations and others of distinctive culture, are still insufficiently adjusted to full partnership in national society.

24. In all of those countries, demand for most social welfare services, but particularly family- and community-oriented measures, seems to be increasing. In some, the proportion of the population supported by social security programmes has already become very high, and, in circumstances of financial retrenchment, this is a major stimulus for policy adjustment, although certain very vulnerable categories are still not covered by the welfare system. An emerging situation, caused by a variety of factors, not all fully understood, is the preference of certain large categories of individuals not to take advantage of available measures. In Denmark, for example, many young persons reject offers of social assistance regarded by them as inappropriate.

25. In circumstances of decline in family support and an increasingly stressful social environment, more intensive individual attention by specialist counsellors and social workers is required. In response, Governments are adjusting programme coverage and organizational, administrative and technical arrangements. In some countries, varied and discrete adjustments are made without formulation of any new strategic concept. For example, in the Netherlands, a "top-down" approach, and a tendency to expend much energy on optimistic large-scale measures, has been replaced by small-scale experiments within a "bottom-up" approach, with a new readiness to adopt for wide application those local initiatives which had proven successful. Elsewhere, comprehensive new approaches have been proposed, sometimes at the regional level, as for example in Ontario, Canada, in the very forward-looking "Transitions" report prepared by the Social Assistance Review Committee for the Ministry of Community and Social Services. In Finland, legislation on social welfare has been reformed completely since 1984. Its aim now is to offer services and allowances to all those who need them without characterizing them as belonging to some special group. The paramount principles are universality of coverage and normality of administration, with strong emphasis upon local initiative.

26. Expanding demand in conditions of financial retrenchment has necessitated much discussion of eligibility and coverage. Governments are adjusting criteria for allocating now insufficient resources and for choosing between competing demands, some of which they cannot meet. Some have targeted those categories defined as being in greatest need; this has downgraded services for other groups. In other countries, much support is given to the concept of a universal rather than a selective system of social welfare. Various forms of minimum support, including provision of a comprehensive social safety net, are viewed as a preventive measure. They consider that an excessive distinction of categories is inappropriate. Budgetary difficulties are met by means of increasing efficiency and extending responsibility to communities. In such circumstances, it is increasingly recognized that rights to protection and support are difficult to define and sustain; they can be used not only to include some individuals and categories, but to exclude others. In many policy areas, such as child protection, concepts of citizen rights and state duties are seen to be ambiguous.

27. In contrast, in countries such as Spain, which have relatively recently experienced full democratization, industrialization and administrative

modernization, a largely new system has been set up. This has included reformulation of a previously inadequate system of citizen rights and state obligations for numerous categories of population in need, drawing considerably upon global and regional instruments and guidelines, including the Guiding Principles.

IV. TRENDS IN IMPLEMENTATION AT THE NATIONAL LEVEL: ORGANIZATIONAL AND ADMINISTRATIVE ADJUSTMENTS

A. Decentralization within the public sector

28. At the time of adoption of the Guiding Principles in 1987, the degree and nature of decentralization from central to regional levels of government were varied. Particularly in countries which had a federal structure, or in which regional autonomy was well developed, provision of social welfare services was considered to be primarily the responsibility of states, territories, provinces, component republics or autonomous regions. Central responsibilities were limited to formulation of basic policy, development of legislation, establishment of norms and standards, partial funding and implementation of special programmes. Both in countries with marked decentralization to the regional level, as well as in those with strongly centralized structures, the extent to which responsibilities were assigned to local government authorities also varied considerably. However, information available to the Secretary-General is not sufficient to fully determine the extent to which decentralization to regional and local levels occurred after 1987, or whether or not that which did occur was in direct response to the recommendations of the Guiding Principles.

29. It appears that decentralization is not well advanced in most countries of Africa, Asia and Latin America. In India, decentralization to the State level was part of the basic policy design, but in other countries with federal structures, such as Brazil, Mexico and Nigeria, central responsibilities remain predominant. In the highly centralized countries, however, with some exceptions, effective decentralization seems not to be widespread.

30. In the still fluid conditions of most countries in central and eastern Europe, the desire to break away from formerly highly centralized institutions is tempered by the need to retain close central control over the substitution of entirely new structures. In the USSR, an important element of current policy revision is the establishment of new patterns of distribution of responsibility between union, component republic, and administrative-territorial districts. In the Czech and Slovak Federal Republic, delivery of public programmes is to be decentralized to local authorities and the broadest possible range of organizations and citizens.

31. It would appear that recent trends among Governments in most developed market economies emphasize prevention and rehabilitation within an individual's home, family and community environment, as recommended in the Guiding Principles. This requires concentration of efforts at the local

level, including allocation to local authorities of greater decision-making and financial autonomy. For example, in Finland, since 1984, municipalities have been primarily responsible for all service provision, offering services in a flexible and integrated manner to the whole population and coordinating special measures. Municipalities themselves decide on allocation of state subsidies to the various services. In 56 municipalities, with a total population of two million decision-making has already devolved further to neighbourhood levels.

32. However, in many such countries, organizational difficulties reportedly remain substantial. Sharing of costs and accounting for expenditures are often difficult matters. The greater the local financial responsibility, the greater is the geographical inequality in the provision of service because of differences in tax base and administrative efficiency. Given the usual retention of central responsibility for achieving nation wide standards, monitoring and controlling numerous and varied local entities remains difficult.

33. In some countries administrative devolution has occurred partly as the culmination of constitutional processes whereby traditionally strong regional structures within society have re-emerged after periods of centralization. In Spain, for example, there was established in 1977 a system of Autonomous Communities [Comunidades Autónomas], or regions, having primary competence in respect to social welfare. Since 1987, in certain of these, for example in Catalonia, a separate Department of Social Welfare [Departamento de Bienestar Social] with very comprehensive functions has been established. Here, decentralization was combined with other major reconstruction and expansion activities. After 1988, further nation wide measures were taken to ensure that, by means of more localized programmes, central spending was better related to the needs of the end user. All municipalities having over 20,000 inhabitants were to provide social services. The regions were to provide financial resources equal to or greater than those provided centrally. Mechanisms for coordination between national, regional and local administrations were set up. Principal difficulties so far encountered include the need to train new professionals and administrators, delays caused by ineffective coordination and the complexity of the evaluation process.

B. Community- and family-oriented approaches, voluntary associations and privatization

34. In its resolution 44/65, the General Assembly requested the Secretary-General to strengthen follow-up action to the Interregional Consultation on Developmental Social Welfare Policies and Programmes by means which would include a focus on integrated family-oriented and community-oriented cost-effective innovations in the design of social welfare policies and programmes.

35. In most developing countries, a participatory and community based approach is central to the national conceptualization of social welfare

policy, but problems in its execution persist. There is insufficient personnel to administer and operate a decentralized system, and procedural and budgetary constraints delay implementation. Enhancement of the role of local authorities requires better coordination. Communal institutions and personnel are still not fully capable of undertaking the activities which central Governments are willing to devolve upon them. Effective participation of citizens in policy formulation and project design and operation, as opposed to participation as recipients of services or as targets of intervention, is still inadequate. The International Federation of Social Workers, at its 1990 biennial International Symposium held in Buenos Aires, Argentina, and at the Third World Seminar which preceded it, stressed the importance of an enabling process which could permit people and professionals to participate effectively. This, however, had not yet been achieved.

36. In the experience of the International Labour Organisation, in many countries, local organizations are too often perceived as a means to extend governmental programmes not necessarily consonant with the aims for which their members voluntarily entered into association with each other. Such forms of co-option tend to deflect the original purposes of the organization, over-burden its management and eventually discourage membership. Moreover, in most countries, the capability of many families and community associations is very severely eroded. Experience in supporting community-based approaches to rehabilitation of disabled persons showed that deinstitutionalization and decentralization to communities and families had not always been accompanied by complementary reallocation of central funds to communities, which had consequently not been able to undertake reintegration measures. Adverse economic, political, cultural and environmental factors had severely eroded the capability of both rural and urban communities. Sufficiently trained local workers were usually lacking. Extension of specialized support services was severely hindered by inadequate basic infrastructure and lack of access to many rural areas. 13/

37. A number of Governments in Africa, Asia and Latin America stressed the importance they attached to action at the family and community levels as a means whereby national culture might be protected and promoted. Together with specialists in developed countries they pointed to the fact that the great majority of non-European cultures had extremely sophisticated systems of social security. Until recently, the alternative systems and practices constituted by such cultural traditions had not been duly recognized or encouraged as partners with the centralized public sector in the formulation and execution of national social welfare policies. However, in some countries, this situation had been changing. For example, in New Zealand, the cultural traditions and social welfare practices of the Maori population have served as a model which has had a positive influence on certain aspects of nation wide social legislation. The Children, Young Persons and Their Families Act established whanau [family] conferences as an essential element in the delivery of social services to juvenile offenders. This model of delivery has required a realignment in the functions of professional social workers and in the procedures of the Family Court, as well as change in the attitude and practices of the predominant European culture in respect to this area of social policy.

38. Such approaches fit well with emphases upon the need to integrate models emanating largely from European and American experience with endogenous practices. Given the importance attached to family- and community-oriented approaches, a number of Governments fully perceive the value of treating the cultural context of both families and communities as an essential factor to be taken into account in further policy development. Indigenous arrangements, if sympathetically but effectively integrated with an organizationally and technologically fully supportive exogenous sector, constituted by central public social welfare institutions and programmes, are thought to be the only effective means whereby the greater part of current problems may be resolved. It is in this context, for example, that Malaysia sees the establishment of a fully caring culture and society, a social system in which the welfare of the people will revolve not around either the state or the individual but around a strong and resilient family system, as the impetus for future social welfare service provision.

39. In many countries moving towards market-determined societal management, it has been found necessary to construct a hitherto scarcely developed non-governmental system and to encourage previously unknown forms of participation. In most of them, the task has only just begun.
In the USSR, since 1985, many new voluntary non-governmental and charitable organizations have been established to provide services at the community level for the aged, disabled and others who are in need. Many are sponsored by local cooperatives and other associations.

40. A number of developed market-economies emphasize family- and community-oriented approaches, including a growing degree of preventive work. In Finland, participation of clients in the municipal service system is emphasized, but its realization is still not without problems. Here and elsewhere, reducing central regulations and assigning power of decision to lower levels is connected with activation of citizens, using their resources, and getting feedback from them. However, even in some countries with well-developed welfare systems and long traditions of democratic pluralism and local government, there are reported still to be few practical mechanisms for ensuring that effective participation can occur. Beneficiaries of services still have too little influence, and the most disadvantaged hardly participate, forums for their collective participation not being easy to create. The contribution of the voluntary sector is of the greatest importance in many developed countries. However, the need for coordination grows, and mechanisms for making it effective are not yet adequate. Even at the local level, harmonizing the separate approaches of public and private agencies has been found difficult. Nevertheless, encouraging experiments have been made, notably in the area of social action or self-directed group work, an approach whereby specially trained social workers facilitate participation by service users. This is an empowering practice which assumes the existence of a substantial potential for self-help and for helping others among even the most underprivileged or dysfunctional persons. Specialized institutions for promotion, training and research in this approach have come into existence in some countries. 14/

41. The precise extent of privatization to the profit-making sector cannot be determined on the basis of information so far made available to the Secretary-General. Apparently it plays a significant role in only a few countries.

42. In Spain, evaluation of experience in carrying out a pilot programme for needy persons [Programa Piloto para Situaciones de Necesidad] revealed that participation of beneficiaries had been constrained by their lack of experience of such a process. Coordination was difficult, so that the approach remained fragmented. Private organizations had depended excessively upon public financial and administrative resources and had not acquired sufficient autonomy and strength. To counter some of these problems the Government provided technical and financial help to all public entities that were promoting voluntary activities and helped to establish the Platform for the Promotion of Voluntary Work in Spain [Plataforma para la Promoción del Voluntariado en España].

C. Administrative and technical changes

43. In its resolution 44/65, the General Assembly requested the Secretary-General to focus on policy, planning, administration and training aspects of developmental social welfare within the task of strengthening cooperation and technical support for Governments, especially those of developing countries. It also requested him to focus on innovations in the design of social welfare policies and programmes which were cost-effective.

44. Certain developing countries with relatively well developed social welfare systems are continuously attempting to optimize managerial effectiveness. They have encountered considerable obstacles, including sociocultural resistance, inadequate training, coordination difficulties and budgetary constraints. Although voluntary organizations have important functions, their effectiveness is limited by inadequate leadership and management. Procedures for public financing of voluntary organizations, even when these constitute a major segment of the social welfare system, are generally cumbersome.

45. In certain formerly centrally planned countries, current approaches to more effective planning and administration emphasize private initiative and practice, and less attention is given to adjustment within the largely discredited public sector institutions. Many previous funding arrangements (such as lotteries) have been discontinued, but not fully replaced. While computerization has begun, implementation is constrained for budgetary reasons. For example, in the Czech and Slovak Federal Republic only about half of the recently established labour offices are equipped with a computer, and it is still not possible to establish a national labour information network, a major potential tool in resolving growing difficulties.

46. In many developed countries, decentralization has reflected both the need to bring administrative responsibility closer to users of services and

financial retrenchment in the public sector. In some countries, in order to limit financial costs, there has been greater targeting of those identified as being in greatest need. In others, financial retrenchment has constrained service provision, as well as efforts at reform and improved efficiency. In order to supplement public financial resources, more volunteers are used, and user charges are introduced where there is an ability to pay.

47. In a number of countries, new managerial procedures, often adapted from the private sector, respond to client criticisms and public unease about the effectiveness of services, as well as to governmental concern for better budget control, case management and staff accountability. However, obstacles persist. In some countries professional social workers argue that such steps impinge upon their creativity and initiative. Effective evaluation is difficult, objectives and indicators not always being clear.

48. In all categories of national condition, policy-oriented research and evaluation can be a major means to improve efficiency. The Guiding Principles indicated that better coordination and more focus is desirable. Many countries in Africa, Asia and Latin America have increasingly recognized the value of improvement in policy-oriented research and analysis, and where research institutions are well established a growing corpus of findings exists already, although it is still fragmented. However, the extent to which this is drawn upon by public agencies is still limited.

49. In some former socialist countries, there had also been only limited coordination between research and policy development, with little systematic research into the causes and consequences within society of the existence of disadvantaged groups, or into operational aspects.

50. In some developed countries, the results of research and development work take the place of central regulation, providing background information on the basis of which autonomous local agencies decide on appropriate action. However, in other countries, central policies are reported to be undertaken still with little reference to the results of research, which comprises ad hoc investigations of problems as these become politically sensitive, rather than being a comprehensive process on the basis of which strategic approaches are formulated.

51. Expanded training in planning, administration, counselling, referral, group work, mediation, advocacy and social action is advised in the Guiding Principles. The International Federation of Social Workers reports some evidence of qualitative improvements in training social workers and associated professionals. In many developing countries, high priority is attached to training, and activities are already substantial. Considerable efforts are made to ensure, by means of in-service training in local agencies, a thorough understanding of the value of integration of central and governmental programmes with indigenous and local forms of social welfare provision. Budgetary limitations and lack of experienced trainers and facilities remain major problems.

52. Trained social workers are particularly scarce in countries moving away from centrally planned management. In the USSR, although practically all staff in social work agencies have medium- or high-level education, the need for additional training is widespread. Plans are being made to remedy the situation, sometimes with external assistance, but a severe shortage persists.

53. In many developed countries, however, new emphasis on preventive measures, provision of care and rehabilitation outside institutions, expansion of problems associated with psychological stress and reduced capacity of families to provide care because of smaller size or divorce, are all factors that make necessary a still greater expansion and adjustment in training activities. However, numerous innovative approaches are being made, many involving close collaboration between governmental agencies at all levels, university departments of social work and other disciplines and specialized non-governmental organizations. For example, in Canada, the Faculty of Social Work of the University of Calgary has designed and developed an emergency first-aid suicide prevention training programme for front-line caregivers of any discipline and occupational group. Suicide has been found to be a growing problem among youth. In 1981, the Alberta provincial government established a citizen advisory committee, to which it gave responsibility for developing and implementing a comprehensive approach to suicide prevention, including budgetary control over the government-sponsored programme. The object was to create a network of coordinated services at the local level, supported by the University's suicide prevention training programme. Subsequently, the training programme has been adopted throughout Canada, as well as by the state of California and by local authorities in a number of other countries. In Alberta, four years after the programme's province-wide adoption, suicide rates fell significantly, quite possibly because of the existence of increasing numbers of trained caregivers. A world-class information and education clearinghouse has been established by the University.

V. TRENDS IN IMPLEMENTATION AT THE INTERNATIONAL LEVEL

A. Global action

54. Responding components of the United Nations system, 3/ often in close collaboration with other intergovernmental organizations, report that they are working to assist Governments to resolve the macroeconomic and macro-social problems addressed by the Guiding Principles: poverty, unemployment and inadequate access to education, health, social security, housing, safe water and sanitation. In doing so, they make special efforts to help resolve the especially severe problems of such major components of the economically disadvantaged population as landless rural workers, plantation workers, small farmers and the urban unemployed. They have also given increasingly special attention to the problems of the women, youth and aged who constitute such large proportions among sub-populations defined in terms of economic and locational disadvantage.

55. A smaller number of the more specialized United Nations institutions, in collaboration with other intergovernmental institutions and with many international non-governmental organizations, seek to support national efforts - by means of individual-, family- and community-oriented activities - to help the large number of groups whose particularly severe condition is also addressed in the Guiding Principles. It is this international action, sometimes constituting a special focus within broader activities, sometimes comprising distinct and often experimental programmes, which is very summarily reviewed in this chapter. Information for all but four of the entities included in this section is based upon material submitted in response to a request made by the Secretary-General. In the cases of the United Nations International Drug Control Programme, the United Nations Children's Fund, the World Health Organization and the United Nations Educational, Scientific and Cultural Organization, the summary was based upon recent published reports. Information on macro-level, sectoral and major group-oriented programmes is already available to the General Assembly in a number of current reports of the Secretariat 10/ and the specialized agencies.

56. In the Centre for Social Development and Humanitarian Affairs of the United Nations Office at Vienna, which is the focal point for follow-up to the implementation of the Guiding Principles, activities have been concentrated in two areas: macro-social policy and more narrowly focused social welfare questions at the micro-level. Both have a conceptual or policy research as well as an operational dimension.

57. The first area of activity addresses the broad social policy concerns set out in the global social agenda adopted as part of the Guiding Principles (E/CONF.80/10, para. 65). One major undertaking has been the preparation of a draft advisory note on Social Policy and Development, at the request of and with the financial support of UNDP. The Note develops concepts and guidelines for operational activities in support of social objectives from a multi-sector and multi-discipline perspective. It incorporates suggestions distilled from operational experience. While intended primarily for use by UNDP, especially field personnel, a modified version will be available for wider distribution.

58. In a related cluster of activities, CSDHA has participated in the work of the UNDP-World Bank Project on the Social Division of Adjustment in Africa. The focus of attention has shifted from initial concern with measures to alleviate the social costs of adjustment to anticipating adverse social consequences with a view to designing adjustment programmes that are socially sensitive. A further objective is to integrate social measures and social objectives into mainstream development planning and policy.

59. With the accelerating pace of economic reform, in Africa as well as other regions, towards reduced direct government involvement in the economy, deregulation, increased competition and greater market orientation, the social dimension of such reforms is being given closer attention. The creation of the new post of Interregional Advisor on Social Policies and Development - funded by the United Nations Department of Technical Cooperation for Development and attached to UNOV/CSDHA - has made it possible to extend

advisory services in this field to Governments of developing countries. In the first 18 months, the Advisor has visited some 12 countries. Several major projects have been developed, for example, in Bolivia, to provide high-level advisory services and in the United Republic of Tanzania, to provide training in social analysis and social policy formulation. In respect of the countries moving towards a market-oriented economy, in both Asia and eastern and central Europe, a number of activities are in the implementation or planning stage.

60. Ad hoc advisory services have also been organized to strengthen national capacity, in both government and the non-governmental sectors, to plan and implement multi-sector social programmes. Advisory services have focused on the development of information systems and of appropriate social indicators, as well as national machinery, for example to deal with the social consequences of AIDS, building on the experience gained in activities relating to specific population groups.

61. The Government of Finland financed and acted as host to the Meeting of the Expert Group on the Social Impact of the Critical Economic Environment on Developing Countries: Strategies for Social Development Cooperation, organized by CSDHA (Järvenpää, 17-21 September 1990). The meeting brought together officials from donor and receiving countries and from national planning offices and departments responsible for social affairs. The conclusions and recommendations of the Meeting, subsequently endorsed by the Economic and Social Council in its resolution 1991/12 of 30 May 1991, include specific suggestions to improve cooperation in the social area, based on the parallel concepts of participation and partnership between States and between States and their citizens.

62. As a follow-up to the meeting, work is now in progress on the preparation of simple guidelines for the assessment of the economic returns on social programmes and projects, specifically in social welfare. These guidelines will provide a useful tool for strengthening the position of those responsible for social issues in the budgetary and planning process, as well as for ordering priorities within the social sphere.

63. A study on organizational and technological innovations in the provision of individual-, family- and community-oriented social welfare services is being prepared and will be followed by a handbook for policy practitioners in 1993. Efforts are being made to develop a database, a global network of research institutions and national focal points and more effective system-wide collaboration. The Social Development Newsletter is being used to promote development of a global network.

64. Increased attention has been given to the cooperative sector, achieved largely through the Committee for the Promotion of Aid to Cooperatives (COPAC) and to promotion of other forms of voluntary association. A global study of the contributions of the cooperative sector to the solution of national and global problems, a technical study of the provision of social welfare services by cooperatives to their own members and to others in local communities, a handbook on strengthening of the cooperative sector as a means to achieve the

objectives of developmental social welfare policies and a further report of the Secretary-General to the General Assembly on national experience in promoting the cooperative movement are being prepared.

65. Family- and community-oriented approaches have also received special attention in programmes to reduce alcohol and tobacco abuse. Of major importance for comprehensively promoting and supporting national implementation of the Guiding Principles are the preparations undertaken within the Centre for the International Year of the Family. 15/ A technical publication is being completed on family and kinship support systems and on families as both recipients and providers of social welfare services. The IYF Secretariat has initiated a study, together with the Movement International ATD Quart Monde on "Families in conditions of extreme poverty". More projects directly relating to the Guiding Principles are planned within the preparatory process for the year.

66. These activities are perceived as supportive of the broader activities of the Centre in respect to women, youth, disabled persons, the aged and crime prevention and criminal justice. They complement, at the micro-level, the work of ensuring that social policy matters are fully integrated with economic matters at the macro-policy level, as in the formulation of the International Development Strategy for the Fourth United Nations Development Decade.

67. In response to the request of the General Assembly, in its resolution 44/65, that the Secretary-General should reflect appropriately the recommendations of the Guiding Principles in the medium-term plan for the period 1992-1997, proposals have been made for further action within the programme budget for 1992-1993. Research studies and technical meetings, together with operational assistance will be expanded. Substantial efforts will be made to make available the knowledge gained from analysing national experience, by means of preparing handbooks and undertaking advisory services, group training and field projects. During 1992-1993, with support from the Department of Technical Cooperation for Development, an interregional seminar will be organized on the organization and management of social development and welfare services for sustainable development.

68. The United Nations Centre for Human Rights, while not engaged directly in the micro-level activities recommended in the Guiding Principles, nevertheless works towards the refinement, codification and effective realization of human rights in order to meet the circumstances of particularly disadvantaged sections of society, thereby providing the fundamental principles for action to protect and support those who are severely exploited or discriminated against.

69. The United Nations International Drug Control Programme (UNDCP) gives increasing attention to community approaches to reduction in demand and in care and rehabilitation of persons suffering from drug abuse, as well as in substitution of alternative income-generating and employment opportunities for drug production.

70. The United Nations Children's Fund (UNICEF) has increased its attention to the situation of children in especially difficult circumstances: children affected by wars and disasters; child workers; handicapped children; street children; abused or neglected children, especially resulting from intrafamilial violence and from substance abuse; and children in institutions where care is inadequate or inappropriate. Integrated area-based programmes in both urban and rural settlements are considered necessary to address the problems of the particularly disadvantaged. UNICEF increasingly stresses innovative community approaches; empowerment and full participation of the community are considered to be the most significant means to successful primary health care. Individual UNICEF-supported intervention areas - such as universal child immunization, HIV/AIDS related programmes and substance abuse prevention - are intended to converge at the community level, strengthening the primary health care system and enhancing the ability of communities and families to care better for their children. Special attention has been given to the question of protecting children and other vulnerable persons in central and eastern Europe during the transition to a market economy, when previous forms of security and protection may be abandoned before new ones are developed and put in place. 16/ Some historic achievements for children have been the ratification of the Convention on the Rights of the Child and holding of the World Summit for Children, which resulted in the ambitious World Declaration on the Survival, Protection and Development of Children and the Plan of Action for its Implementation in the 1990s. These represent promises made to children around the world, which are fully consonant with the Guiding Principles and constitute a major complement to activities undertaken to achieve their targets and objectives.

71. The United Nations Development Programme (UNDP) has, in its Human Development Report, 17/ contributed very substantially to the monitoring of the global conditions which the Guiding Principles address, and to the analysis of determining factors as well as the identification of effective approaches to improvement. It has also engaged actively in meeting urgent social welfare needs. In Peru, for example, it has played since 1989 a principal role in carrying out an emergency social programme directed to the poorest in marginal urban and rural areas, in close collaboration with private organizations, including private enterprises, and representative organizations of the poor themselves.

72. The United Nations Population Fund (UNFPA) supports maternal and child health programmes within the framework of an integrated approach involving attention to nutrition, education, safe motherhood and perinatal health and family planning (MCH/FP). Preference is given to support for primary care, including first referral service facilities. Future support will emphasize the special needs of younger women and of women living in the poorest areas, particularly in rural areas. Rural populations are priority targets for UNFPA-supported activities. Particular attention is given to adolescent health and community participation. Support is given to the greater involvement by non-governmental organizations in the planning and management of MCH/FP programmes and to strengthening of rural grass-roots institutions, including cooperatives. UNFPA has joined in system-wide discussions with the

International Monetary Fund on the implications of the Fund's policies for the effectiveness of family planning programmes and has undertaken a number of steps to enhance its capacity to respond to critical situations resulting from structural adjustment.

73. The Office of the United Nations High Commissioner for Refugees (UNHCR) provides group-oriented, micro-level, and community-based social welfare services. Special attention is given to groups whose needs may not be met adequately from assistance provided to the general population. Participatory approaches are being developed.

74. The United Nations University (UNU) has undertaken a study of change in developing countries in inter-generational support systems, as these affect the aged. Its World Institute for Development Economics Research (WIDER) in Helsinki, Finland, is developing guidelines to achieve more comprehensive systems of social security in developing countries on the basis of experience in different states of India.

75. Although the various components of the United Nations system engaged in policy-oriented information collection and research, such as the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) and the United Nations Research Institute for Social Development (UNRISD), address the areas of concern of the Guiding Principles at both the macro-level and the meso-level, they give much less attention to the very specific micro-level policy areas emphasized by the Guiding Principles.

76. The United Nations Interregional Crime and Justice Research Institute (UNICRI) has prepared a model for national intervention to cope with the growing problem of street children, studied petty crime and law enforcement strategies within urban neighbourhoods; and examined community-centred alternatives to imprisonment, non-custodial sanction and crime control.

77. The work of the International Labour Organisation (ILO) already largely encompasses the task addressed by the Guiding Principles. The International Labour Code supported by the various Conventions and Recommendations of ILO, provide specific guidelines for implementing them, and the tripartite mechanisms for agreed formulation, as well as for monitoring and enforcement, support their execution.

78. Broad approaches to employment creation, satisfactory working conditions, minimum guaranteed income and social security are extended and adjusted especially to address the special problems of major disadvantaged groups. In respect to drug and alcohol abuse, ILO stresses enterprise-level, union-level and community-based approaches, and full recognition is given to the importance of family-oriented measures.

79. ILO programmes in support of non-governmental and voluntary organizations, and particularly trade unions, cooperatives and similar associations of producers and consumers, constitute a major contribution to

implementation of the Guiding Principles. With global interest in privatization of social welfare provision, a characteristic of central importance is ILO's tripartite structure, whereby employers and their organizations play a crucial role in standard-setting activities and operations programmes. As a result of this collaboration it is now recognized that the social responsibility of management extends to helping to solve the special problems of under privileged sub-populations.

80. The Food and Agriculture Organization of the United Nations (FAO) reported that social welfare policies had been the main concern of the Programme of Action adopted by the World Conference on Agrarian Reform and Rural Development (WCARRD) held in July 1979, which gave special attention to people's participation, enhancement of cooperative and self-help schemes and decentralization and strengthening of local government. In particular, its Human Resources, Institutions and Agrarian Reform Division had a catalytic effect on government policies by drawing attention to disadvantaged sections of the population through surveys, case studies, training workshops and conferences. In addressing the needs of the rural population, FAO concentrated on farm women, rural youth, the landless, and small-scale land holders and resource-poor farmers.

81. The World Health Organization (WHO), as one of the major social sector organizations within the United Nations system, provides support to overall national development activities within sectoral and group-oriented policy areas. Priorities include women, youth, urban development and the health problems of urban slums. A global review of the results of the second evaluation of the implementation of strategies for health for all will be completed during 1991. WHO gives major importance to community approaches to health care, considered both a democratic goal in itself and as a potentially useful means of achieving an improvement in health. The Alma-Ata Declaration promoted worldwide official recognition of community participation as an essential element in primary health care. 18/ More recently, the declaration of the Harare Conference on Strengthening District Health Systems based on Primary Health Care ratified these strategic directions for primary health care by focusing on the strengthening of health systems at district level. Once again, community involvement was stressed as a major dimension of district health systems. 19/

82. The International Monetary Fund (IMF) had advised member countries on ways to promote poverty reduction through appropriate macroeconomic and structural policies, and on measures to protect the poor and vulnerable from the short-run adverse impact of unavoidable adjustment.

83. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has continued its work on alternative concepts of poverty and marginalization, people's participation and aspects of endogenous development of immediate relevance to the extension of developmental social welfare services. 20/

B. Regional action

84. In Western Asia, organizational resources have been severely disrupted by the need to respond to the political situation there. In Africa, almost all of the scarce organizational resources have had to be allocated to dealing with the catastrophic economic and environmental situation. In Latin America, in Asia and the Pacific and in Europe, conditions have favoured much greater activity in response to, but more often as a complement to, the Guiding Principles. In Europe, the activities of the Commission of the European Communities and the Council of Europe, as well as those of the network constituted by the European Ministers of Social Welfare, have been in the lead, with United Nations organizations playing mostly a supportive and collaborative role.

85. The Economic Commission for Latin America and the Caribbean has undertaken comprehensive activities in the macro- and meso-level policy areas, as well as research on public expenditure for social services. The activities of the Economic and Social Commission for Asia and the Pacific (ESCAP), are highly supportive of implementation of the Guiding Principles. They aim to strengthen the social component of development policies and programmes, including those relating to the planning and delivery of social services; the partnership between government agencies and non-governmental organizations; and drug abuse prevention and rehabilitation programmes, including integrated, community-based approaches to demand reduction. The Secretariat activity that lends most support is the formulation of a regional social development strategy towards the year 2000 and beyond. This will be submitted to the Fourth Asian and Pacific Ministerial Conference on Social Welfare and Social Development to be held at Manila, Philippines from 7 to 11 October 1991.

86. Within the Association of South East Asian Nations (ASEAN) a second meeting of Ministers and Senior Officers for Social Welfare meeting at Kuala Lumpur in March 1990 supported a full acknowledgement of the recommendations of the Guiding Principles in policy development by member States.

87. The Inter-American Indian Institute [Instituto indigenista interamericano] supports and coordinates the efforts of national institutes forming part of the Interamerican Indian System [Sistema Indigenista Interamericano]. Many of these, as, for example, the National Indian Institute of Mexico, operate many Coordination Centres in areas inhabited by indigenous communities. The Institute emphasizes the continuing vitality of the communal mode of organization of the American Indian populations, which is still in full use by almost all such populations and which the Institute believes to constitute a major potential for improvement in the effectiveness of social welfare service provision.

Notes

1/ The Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future were adopted by the Interregional Consultation on Developmental Social Welfare Policies and Programmes, held at Vienna in September 1987. They were endorsed by the General Assembly in its resolution 42/125 of 7 December 1987, and their validity was reaffirmed in resolution 44/65 of 8 December 1989. The text of the Guiding Principles was published in English, French and Spanish in the form of a booklet (DPI/938) (New York, 1988). It was also included in an issue of the Social Development Newsletter (No. 25, Volume 1987.1). A German version was prepared by the Department of Public Information. Document E/CONF.80/10 contains versions in all the official languages.

2/ Andorra, Australia, Bahrain, Bolivia, Burkina Faso, Burundi, Canada, Colombia, Cuba, Cyprus, Czechoslovakia, Denmark, Ecuador, Egypt, Finland, Guatemala, Holy See, Hungary, Indonesia, Malaysia, Malta, Mexico, Morocco, Oman, Netherlands, Singapore, South Africa, Spain, Sweden, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics.

3/ United Nations Centre for Human Rights; Economic and Social Commission for Asia and the Pacific; Economic Commission for Latin America and the Caribbean; Office of the United Nations High Commissioner for Refugees; United Nations Development Programme; United Nations Population Fund; United Nations International Research and Training Institute for the Advancement of Women; United Nations University; United Nations Research Institute for Social Development; United Nations Interregional Crime and Justice Research Institute; International Labour Organisation; Food and Agriculture Organization of the United Nations; World Health Organization; International Monetary Fund.

4/ Inter-American Indian Institute (Instituto indigenista interamericano), Mexico; Latin American Centre for Development Administration (CLAD) [Centro Latinoamericana de Administracion para el Desarrollo].

5/ International Federation of Social Workers; International Social Security Association; Latin American Faculty of Social Sciences (FLACSO) [Facultad Latinoamericana de Ciencias Sociales].

6/ Saskatchewan Social Services, Regina, Saskatchewan, Canada; Department of Social Welfare, Generality of Catalonia, Spain [Departamento de Bienestar Social, Generalitat de Cataluña].

7/ El Colegio de Mexico.

8/ Canadian Council on Social Development; National Council on Social Welfare of Thailand.

Notes (continued)

9/ Faculty of Social Work, University of Calgary, Canada; Social Policy Research Centre, Massey University, Palmerston, New Zealand; Department of Social Work, University of Durban-Westville, South Africa; Indore School of Social Work, India; Centre for Social Action, University of Nottingham, United Kingdom; Social Policy and Social Work Studies, University of Liverpool, United Kingdom; Department of Republic Institute for Social Work, Zagreb, Yugoslavia.

10/ Many other reports to the Economic and Social Council and the General Assembly, as well as reports of the specialized agencies to their own governing bodies, summarize both current trends in societal conditions and the formulation and implementation of the macro-level, and most of the sectoral and group-oriented policy responses to them. Consequently these are not re-examined in this progress report. (Interim Report on the World Social Situation (A/46/56-E/1991/6 and Corr.1); Human Development Report, 1991 (New York and Oxford, Oxford University Press for the United Nations Development Programme, 1991); The State of the World's Children, 1991 (Oxford and New York, Oxford University Press for UNICEF, 1991); World Development Report, 1990 (Washington D.C., World Bank, 1990); World Economic Survey, 1991. Current trends and policies in the world economy (New York, United Nations, 1991) (E/1991/75) (United Nations publication, Sales No. E.91.II.C.1); The Least Developed Countries 1990 Report (New York, United Nations, 1991) (TD/B/1289) (United Nations publication, Sales No. E.91.II.D.3)).

11/ Developments in social security and ISSA activities 1987-1989: Report of the Secretary-General of the International Social Security Association to the XXIIIrd General Assembly (Vienna, 5-13 September 1989), (Geneva, General Secretariat of the ISSA, 1990).

12/ The Government of the USSR has pointed out in its response to the Secretary-General, that while in the Russian language the term "sotsial'noje obespechenije" corresponds closely with the term social security, embracing all the forms of assistance contemplated under ILO Convention No. 102 of 1952 (Minimum standards of social security), no established and adequate Russian equivalent for the broader term "social welfare" as yet exists. The Russian term which most closely approximates this wider concept, and which encompasses a broader range of activities than social security, has only recently come into use: "sotsial'naja zashchita".

13/ Momm, Willi, and Andreas Konig, From Community-Based Rehabilitation to Community-Integration Programmes: Experiences and Reflections on a New Concept of Service Provision for Disabled People (Geneva, International Labour Office, 1989).

14/ For example, the Centre for Social Action at the University of Nottingham, United Kingdom. See also: Mullender, A. and Ward, D. Self-Directed Groupwork: Users Taking Action for Empowerment (London, Whiting and Birch, 1991).

Notes (continued)

15/ International Year of the Family: report of the Secretary-General (A/43/570); Preparation for and observance of an international family year: report of the Secretary-General (A/44/407); International Year of the Family: Note by the Secretary-General (A/45/365); Preparation for and observance of the International Year of the Family: report of the Secretary-General (E/CN.5/1991/2).

16/ United Nations Children's Fund, Overview of actions for children in 1990: report of the Executive Director (E/ICEF/1991/2 (Part II)).

17/ Human Development Report, 1991 (New York and Oxford, Oxford University Press for the United Nations Development Programme, 1991).

18/ Alma-Ata 1978, Primary Health, Report of the International Conference on Primary Health Care, Alma-Ata, USSR, 6-12 September 1978 (Geneva, World Health Organization, 1978) ("Health for All" Series, No. 1).

19/ Declaration of the Harare Conference on Strengthening District Health Systems based on Primary Health Care (Geneva, World Health Organization, 1987).

20/ Huynh Cao Tri (editor), Participative administration and endogenous development (Paris and Brussels, UNESCO and International Institute of Administrative Sciences, 1988); Paul Marc Henry (et alia) Pauvreté, Progrès et développment (Paris, Editions Harmattan for UNESCO, 1990).

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EXTERNAL DEBT CRISIS AND DEVELOPMENT

Recent evolution of the international debt strategy

Report by the Secretary-General

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* A/46/150.

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I. INTRODUCTION

1. In its resolution 45/214 of 21 December 1990, the General Assembly requested the Secretary-General to report to the Assembly at its forty-sixth session on the implementation of that resolution. In the 22 operative paragraphs of that resolution, the Assembly covered all major international and domestic aspects of the debt crisis as it affects developing countries and some other countries with serious debt-servicing problems. The Assembly also recognized the relevance to the subject of appropriate national economic policies and expansion and liberalization of world trade and urged multilateral financial institutions and donor countries to assist effectively those developing countries adversely affected by the situation between Iraq and Kuwait.

2. In particular, as part of its global economic monitoring in the World Economic Survey, 1991 and its monitoring of trade and trade-related financial issues of development in the United Nations Conference on Trade and Development (UNCTAD) publication Trade and Development Report, 1991, 1/ the Secretariat has reported recently and in considerable detail on the debt situation, the international economic environment and policy developments that affect the debt-servicing ability of developing countries. The present report, which draws heavily on those two publications, first assesses the major developments of the past year. Then, as a continuation of the efforts of the Secretary-General to promote understanding among debtors and creditors and contribute to a durable solution of the crisis, certain ideas are put forward to assist in focusing discussion in the General Assembly.

II. STATISTICAL INDICATORS OF INDEBTEDNESS

3. The external debt of capital-importing developing countries reached a new peak of $1.2 trillion in 1990 after remaining practically unchanged during the period 1987-1989. The increase in the stock of debt was due not to any substantial expansion in the flow of lending to developing countries, but rather to the 1990 weakening of the dollar, which translated loans denominated in non-dollar currency into larger numbers of dollars than before. Net lending was only $8 billion more in 1990 than it had averaged in the two previous years. Debt owed to official creditors continued to represent an increasing share of the debt of developing countries, as private creditors, particularly commercial banks, were systematically reducing their exposure to debt-burdened countries. Private debt has also been cut down through a series of conversions and repurchases, usually at a considerable discount, and in some cases through non-renewal by debtor countries themselves of certain credit lines when those reached maturity. 2/

4. With the slow rise in total debt, coupled with international policy measures to provide debt-service relief, one would have expected to see major improvements in the debt indicators of developing countries. Reality, however, was more complex to the extent that the behaviour of other factors

that were also significant for amelioration of those indicators, such as interest rates, growth of international trade, commodity prices and domestic investment and growth, were not, in general, conducive to lower ratios. In fact, 1990 was not a favourable year for most developing countries as the Gulf conflict and recession in parts of the industrialized world led to slower economic growth, falling commodity prices and reduced export revenues, particularly in energy-importing developing countries.

5. Nevertheless, the ratio of external debt to exports improved for various groupings of developing countries in 1990 (see table 1), largely on the strength of higher petroleum-export earnings. However, since the oil sector usually contributes a smaller share of total output than of exports, the oil factor did not carry over to the debt/gross national product ratio in all cases. Thus, the ratio of external debt of capital-importing developing countries to gross national product (GNP), which had declined during 1988-1989 increased during 1990 and for sub-Saharan Africa reached a new peak of 102 per cent (see table 1). That region owes what is now equivalent to its annual output of goods and services.

6. In 1990 the ratio of debt service to exports remained relatively constant at about 16 per cent, whereas it had declined in the three previous years. Such an aggregate figure, however, conceals divergent trends among the various regional and country groupings. For the group of 15 heavily indebted countries, the debt-service ratio improved once again in 1990. It fell to about 27 per cent, its lowest value in 11 years, due largely to export-revenue gains of the group's oil exporters. As table 1 shows, the debt-service ratio in sub-Saharan Africa rose in 1990 and is now higher than it was in 1980.

7. The debt-service indicator is determined by the behaviour of the value of (a) debt-service payments and (b) exports. The value of debt-service payments may be thought of as the product of stock of debt outstanding and ratio of debt service paid to level of debt outstanding. That ratio has been called the average terms of debt servicing, 3/ and those average terms reflect the results of reschedulings, interest-rate reductions and arrears accumulation, as well as of any change in the composition of the debt itself, for example in share of concessional debt. Value of exports, the denominator of the debt-service ratio, is the result of volume exported and prices obtained.

8. For the group of 15 heavily indebted countries, lower debt-service ratios in 1989-1990 were due to both lower debt-service payments, as the stock of debt stabilized and average terms improved, and increased export revenues. With respect to the latter, it is worth noting that only in 1988 did the value of exports from that group of countries become higher than in 1980. The increase in value of exports was due entirely to an increase in volume since the unit value of those exports remained depressed for the entire decade. In 1990, the export volume of those countries was almost 40 per cent higher than in 1980, while their export prices measured in current dollars were 10 per cent lower than those that had prevailed a decade before (see figure I).

Table 1. Debt indicators of capital-importing developing countries, 1980-1990

(Percentage)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 a/
Ratio of external debt to GNP											
All countries	26.4	28.9	33.5	37.6	37.8	40.2	42.6	44.0	38.8	35.2	37.3
15 heavily indebted countries b/	32.1	35.6	44.0	55.1	55.8	57.6	60.8	65.5	55.8	48.9	51.7
Sub-Saharan Africa c/	44.9	53.2	59.5	64.2	71.5	84.9	84.0	97.9	94.5	93.5	102.3
Ratio of external debt to exports											
All countries	119.5	130.2	154.6	169.0	159.7	176.8	195.2	183.1	154.5	140.3	138.4
15 heavily indebted countries b/	168.5	200.2	251.4	287.0	271.0	288.7	342.9	334.6	287.3	262.6	248.4
Sub-Saharan Africa c/	157.2	190.7	222.7	247.3	244.3	294.7	326.3	357.3	367.6	365.2	363.6
Ratio of debt service to exports											
All countries	18.6	20.9	23.7	22.4	21.6	23.0	23.4	21.0	19.2	15.9	15.8
15 heavily indebted countries b/	31.3	37.0	44.9	40.8	39.2	37.0	40.8	34.8	36.5	29.1	26.7
Sub-Saharan Africa c/	17.1	19.9	20.8	22.4	22.3	25.6	28.7	25.0	25.4	22.5	24.5

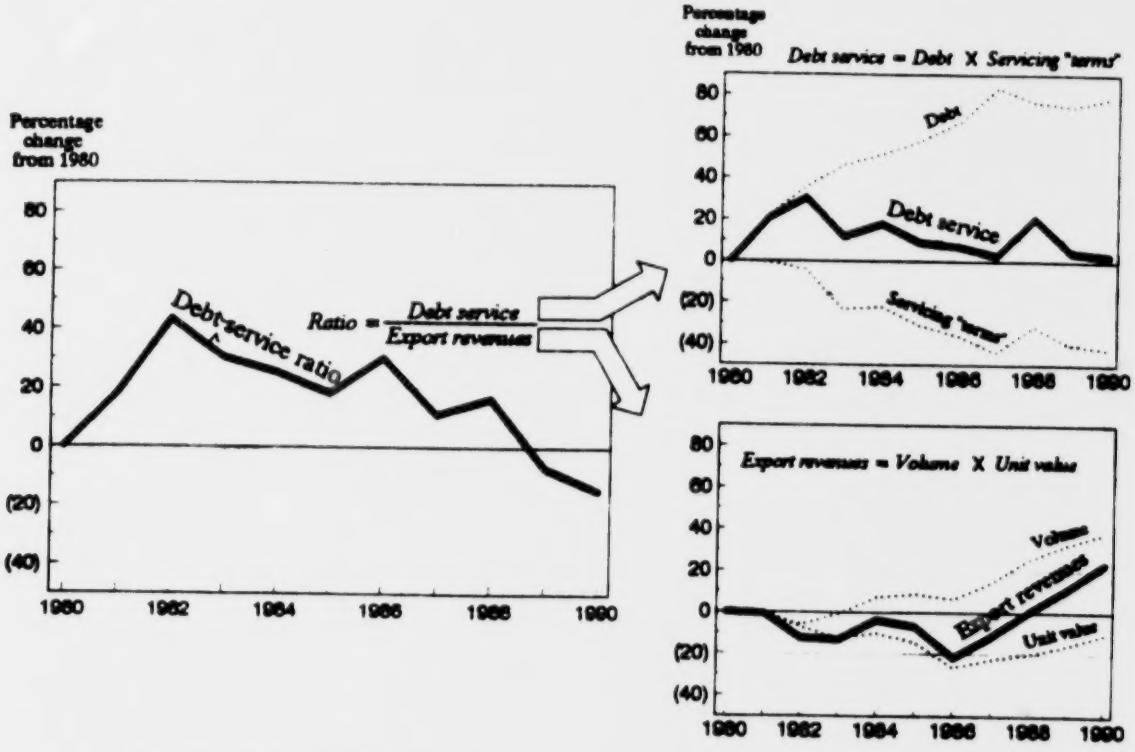
Source: World Economic Survey 1991 (United Nations publication, Sales No. E.91.II.C.1), table A.35.

a/ Preliminary estimate.

b/ Argentina, Bolivia, Brazil, Chile, Colombia, Côte d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia.

c/ Excluding Nigeria.

Figure I. Sources of the change in the debt-service ratio of 15 heavily indebted countries, 1980-1990



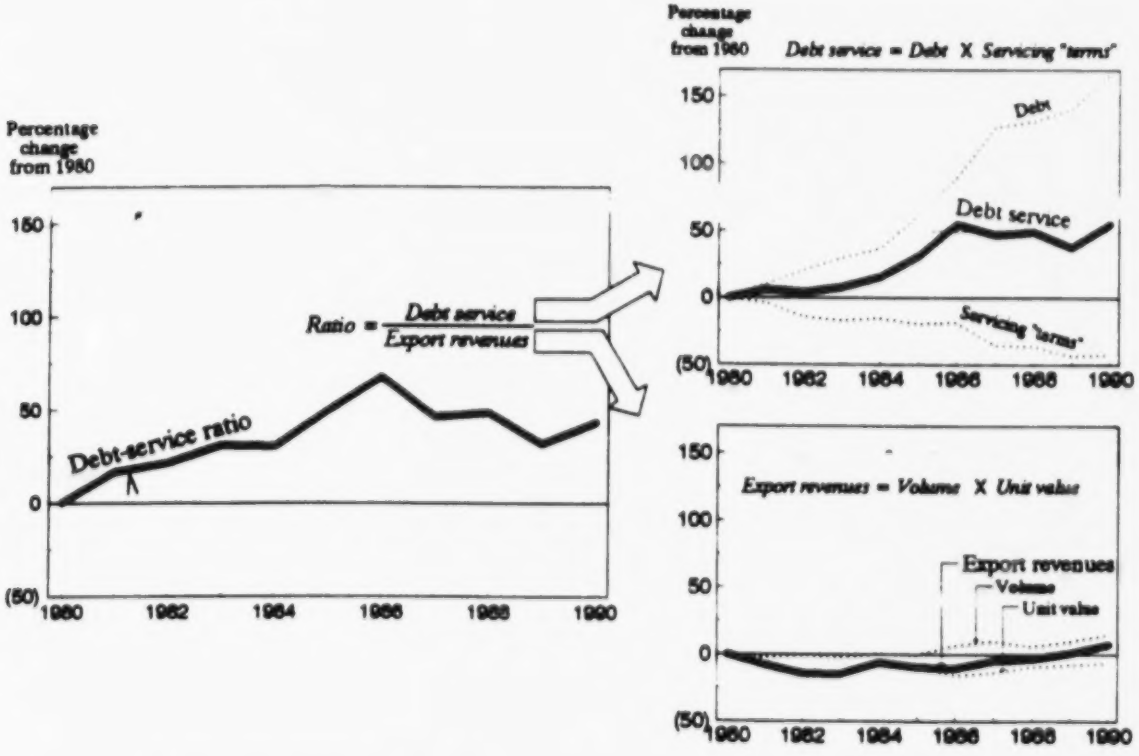
The debt service ratio first rose, but ended the decade lower than in 1980...

...mainly because export volume rose and the debt stopped growing.

Source: Department of International Economic and Social Affairs.

9. The ratio of debt service to exports for sub-Saharan countries deteriorated during the last 10 years. Debt-service payments of those countries increased during the decade despite an improvement in debt-servicing terms. Official lending to sub-Saharan countries grew significantly through the 1980s, and thus offset the improvement in servicing terms. Furthermore, export revenues did not contribute significantly to improving the debt-service ratio. Export prices failed to recover their 1980 levels, while the increase in volume exported raised export earnings only marginally (see figure II).

Figure II. Sources of the change in the debt-service ratio of sub-Saharan Africa, 1980-1990 a/



The debt service ratio rose until mid-decade, and then stabilized...

...as servicing terms improved while the debt continued to rise.

Source: Department of International Economic and Social Affairs.

a/ Excluding Nigeria.

III. DEBT OWED TO OFFICIAL BILATERAL CREDITORS

10. Debt reschedulings with partial debt or debt-service forgiveness, always within the context of an internationally approved adjustment programme, have become common elements of the debt strategy of creditor Governments. Recently, debt cancellation and debt-service relief have also been extended to middle-income countries.

11. Debt owed to official creditors constitutes a major share of the total debt of least developed and other low-income countries. Most of it is related to official development assistance (ODA) loans, which in 1989, the latest year for which data are available, accounted for two thirds of the outstanding debt of least developed countries and 35 per cent of their annual debt service. 4/ Official debt write-offs can consequently contribute significantly to easing the debt burden of those countries. By October 1990, the total amount of official debt cancelled had come to almost $11 billion, but the total debt forgiven has increased substantially since then as creditor countries implemented outstanding commitments and announced new initiatives. For example, by mid-1991 the United States of America had fully implemented debt-relief measures announced in July 1989 in favour of sub-Saharan countries pursuing economic-reform programmes endorsed by the International Monetary Fund (IMF) or the World Bank. Under this initiative, the United States cancelled $550 million of debt owed by 14 countries from the sub-Saharan region. At present, most ODA from the United States to least developed countries is provided in the form of grants. The majority of members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) now have all-grant or mainly-grant programmes with least developed countries and the remaining ODA debt outstanding of those countries to some DAC members involves relatively minor amounts. 5/

12. Until recently, there has been relatively little debt forgiveness extended to middle-income countries, except for such symbolic gestures as the cancellation of $16 million of Chilean debt for food-aid loans in early 1991 within the context of the Enterprise for the Americas Initiative (EAI). 6/ After the conflict in the Gulf, however, the United States cancelled $7.1 billion of military loans extended to Egypt, and Arab creditors cancelled an additional $7 billion.

13. Rescheduling, as opposed to writing off debt, is usually negotiated at the Paris Club, an informal group of government creditors that meets at the French treasury to ensure that all creditor Governments give equivalent concessions. Activity at the Paris Club has slowed down since the Secretariat reported to the General Assembly last year. 7/ Only seven agreements were negotiated with developing countries during the last quarter of 1990 and the first two quarters of 1991, compared with 23 agreements signed over the same period in 1989-1990. Moreover, by mid-1991, the Paris Club agreements of about 30 countries that had been candidates for future reschedulings had expired, some over six months before.

14. The reduction in Paris Club activity seems to be due to the difficulties debtor countries are facing in implementing adjustment programmes in conjunction with IMF. The requirement that the rescheduling country conclude a prior agreement with IMF continues to be an essential feature of Paris Club practices, and IMF negotiations are sometimes protracted and difficult, thus delaying debt rescheduling and worsening the country's external financial position. Meanwhile, arrears accumulation normally makes the country ineligible for export credit insurance and reduces its access to trade finance.

15. Among the agreements that were signed over the past year with developing countries, "Toronto terms" were applied to Burkina Faso and Senegal, which is usually considered a lower-middle-income country; Nigeria and the Philippines benefited from the new "Houston terms"; and Panama obtained the standard treatment accorded in debt rescheduling with no debt-reduction provisions. 8/ Finally, Egypt and an Eastern European country, Poland, received "exceptional" treatment, that is, official creditors agreed to reduce the entire stock of those countries' eligible debt by 50 per cent. Debt reduction will be effected through a menu of options from which individual creditor Governments will choose in follow-up bilateral agreements. Those options include (a) principal reduction, (b) interest reduction and (c) partial interest capitalization on concessional terms. Creditor countries also agreed to set up voluntary debt-swap facilities, which could include up to an additional 10 per cent of outstanding claims. 9/

16. Although creditors have argued that special political considerations weighed heavily in their decision to grant unprecedented levels of debt relief to Egypt and Poland, the central significance of those agreements lies in their recognition that a higher magnitude of debt relief than heretofore granted is required if severely indebted countries are to make progress in economic transformation and structural adjustment at a politically acceptable rate.

17. However, although some creditor countries want to extend additional debt relief to other low-income and lower-middle-income countries in need that are embarking on major adjustment programmes, other creditor countries are reluctant to accord new concessions in the restructuring of official debt. The leaders of the seven major industrialized countries that met in London in July reaffirmed the uniqueness of the Egyptian and Polish cases. Furthermore, although admitting that there was a need for additional relief measures for low-income countries "going well beyond the relief already granted under Toronto terms", 10/ they did not adopt the proposal of the United Kingdom of Great Britain and Northern Ireland, informally known as the Trinidad terms. It was suggested that additional debt-relief measures be considered by the Paris Club but no recommendation was given as to how extensive debt relief should be.

18. The Trinidad terms call for the cancellation of up to two thirds of the total stock of eligible debt owed by low-income countries, that is, those that are eligible for financing from the International Development Association (IDA). 11/ However, applying the Trinidad terms per se would not, among half

of the countries potentially eligible for those terms, reduce their debt burden sufficiently. 12/ For some of those countries, Paris Club debt is only a small share of their total official debt, with debt owed to non-Paris Club bilateral creditors and international financial institutions accounting for a much larger portion. Moreover, the Trinidad terms, like the Toronto terms before them, would not affect the entire debt owed to the Paris Club since they exclude from rescheduling all debt contracted after a certain date, known as the cut-off date, which is set when a debtor first comes to the Paris Club for assistance. Most countries by now have had to arrange a sequence of Paris Club reschedulings over several years.

19. Although the initiatives described above indicate an important evolution in official international thinking on debt management, such efforts are restricted to tackling specific categories of debt and therefore fall short of meeting overall international cash flow and investment needs for adequate growth of indebted countries.

IV. DEBT OWED TO COMMERCIAL BANKS

20. Developing country debt owed to commercial banks reached a peak of $417 billion in 1987. Since then, that debt has been declining because (a) a few countries without debt problems, the Republic of Korea in particular, decided to reduce debt levels and (b) debt-equity conversions and debt-reduction operations gained momentum. 13/ Debt reduction and debt-service relief were later incorporated into the international debt-management strategy with the launching of the international debt initiative informally known as the Brady Plan (after the Secretary of the Treasury of the United States who proposed it in 1989). That initiative dominated commercial-bank-debt negotiations in 1990 and 1991, and agreements were reached with Costa Rica, Mexico, Morocco, Nigeria, the Philippines, Uruguay and Venezuela. Only a few reschedulings have been negotiated outside the initiative's framework since 1989.

21. One characteristic of the negotiations concluded so far has been the diversity of instruments, sometimes specially tailored to the conditions of the country concerned, contained in those negotiations' restructuring agreement. 14/ Such diversity reflects both the need to attend to the diverse objectives of debtors and creditors and, to some extent, the increased flexibility of all players involved. Debt reduction is usually attained by a buy-back operation or by the conversion of the eligible debt into lower-valued long-term bonds. Either the bonds have a reduced face value and carry a commercial interest rate or they have the same face value (in which case they are called par bonds) and carry a reduced interest rate. In the latter case, interest relief can be either temporarily accorded or extended up to the maturity of the bond. The new bonds are usually backed by zero-coupon bonds of the United States Treasury or other similar instruments that mature on the same date as the bonds and thus guarantee principal repayment at maturity. Other so-called enhancements guarantee interest payments during a specified, rolling period of time. Rescheduling of the non-converted debt and new loans

are also components of some of the agreements. The new money extended is usually an agreed share of the creditors' exposure that was not converted into bonds or tendered for cash.

22. Despite the diversity of options for debt rescheduling and debt-service relief, the recently concluded agreements share several common features. First, those agreements are supported financially by the multilateral financial institutions that have made special concurrent lending, a part of which is usually set aside to purchase the guarantee instruments. Disbursements on such loans are subject to the country's adherence to the targets set by an economic programme that has the endorsement of those institutions. 15/

23. Second, Latin American packages have recovery provisions under which banks would regain some of their concessions if there were fortuitous developments in their economies. In Mexico and Venezuela, those provisions are attached to the price of oil; in Costa Rica, to overall economic performance; and in Uruguay, to the price of a basket of commodities.

24. Third, although the economies of countries restructuring their debt are quite heterogeneous, they have obtained relatively homogeneous relief in terms of net reduction in interest charges. Par bonds carry fixed interest rates that range only from 6.25 to 6.75 per cent per annum. 16/ There is very little difference even in the fixed spreads that are added to the fluctuating base rate in floating-rate loans. In general, spreads reflect creditors' perceptions of the risk in lending to the countries concerned; but for debt-restructuring countries, the spreads range only from 0.81 to 1 percentage points. Moreover, in the case of bonds that pay a full commercial rate on a reduced face value, the discounts negotiated ranged only over 5 percentage points, from 30 to 35 per cent. 17/

25. The overall amount of relief a country obtains depends on (a) the mix of instruments that are included in a specific package, (b) the banks' choices and (c) the general market's perception of the country's ability to service its debt as expressed by the amounts buyers bid for that debt on the secondary market. As the discount offered by various bond instruments are very similar across countries, one country may obtain greater relief than another when there is a buy-back option, the secondary market is heavily discounting the country's debt and a large number of banks opt for the buy-back.

26. Costa Rica, whose debt was traded at a discount of 82 per cent, could erase about 60 per cent of its commercial bank debt and save the equivalent of 40 per cent of its total 1989 interest bill. 18/ Debt relief obtained by the other countries was far less than that. In fact, net overall debt reduction, that is, the net reduction of bank claims minus the funding of enhancements, was not more than 3 per cent of the 1989 long-term debt for Mexico and Uruguay and was actually negative, in other words, raised the debt outstanding, for the Philippines and Venezuela. 19/

27. Interest savings obtained were thus below expectations and, except for Costa Rica, represented only 5-8 per cent of those countries' total 1989 interest bills. Total debt-service relief, however, was considerably greater because principal repayments were either cancelled or prepaid. Cancellation took place through debt repurchases while prepayment occurred because the new long-term bonds, the so-called Brady bonds, had their principal repayment fully guaranteed by the debtor country's purchase of United States Treasury zero-coupon bonds. Total annual debt-service relief over the next four years will range from about 2 to 6 per cent of those countries' 1989 gross national product. 20/

28. Nevertheless, benefits for the countries concerned go beyond amount of relief per se. More important is whether their restructuring agreements accelerate those countries towards creditworthiness; that is, renewed access to private-market lending as a significant source of net capital inflows and net financial transfers. Analysis of this issue must be highly tentative in so far as the agreements are so new and some not yet even operational. 21/ Results so far are mixed. For example, the Philippines returned to the negotiating table in 1991 after natural calamity and the crisis in the Middle East made the economic assumptions of its adjustment and financing programme obsolete. Like Costa Rica, the Philippines has not yet regained access to private-credit markets. On the other hand, Mexico has experienced a boost of investor confidence in its economy's future both at home and abroad, due to the debt agreement, progress in domestic adjustment and the prospect of a new trade arrangement with Canada and the United States, which led to return of some flight capital and lowering of domestic interest rates. Also, Mexican borrowers have slowly started to regain some access to voluntary private-credit markets. 22/ In early 1991 the Mexican Government returned to the Eurobond market as a sovereign borrower, issuing public debt for the first time since 1982. Some Venezuelan companies have also been able to obtain private credit, albeit in limited amounts, through the bond market. Finally, Chile, which significantly reduced its debt through a unilateral debt-conversion programme, became the first country, and the only one as of mid-1991, to secure a voluntary, sovereign bank loan since the beginning of the debt crisis in 1982.

29. Certain well-known and solidly established companies from large debtor countries whose Governments have not reached an agreement with their commercial banks have also been able to attract some sporadic private financing, 23/ although the funds obtained have been very costly. Some placements have been successful due to the high yield and ample collateral offered. Bonds have usually attracted investors avid for high returns who had become disenchanted with the lower interest rates offered in the major markets. Moreover, the rare bank loans that may be available to some companies from debtor countries currently carry wider spreads than last year's due to banks' increasing concern over profitability and liquidity. 24/ That trend may indicate just how precarious the present situation is. If such a trend persists, the increasing cost of bank funds and the accessibility of bond markets to only the larger and better-known borrowing entities may add to those difficulties the heavily indebted developing countries already face in raising funds on international capital markets.

30. All in all, only a few of the countries with heavy debt burdens have been able to return to the private-capital markets and the amounts raised have been quite limited. That return is, however, a beginning. But, as the increase in interest arrears during last year attests, for the vast majority of debtors a return to the market still seems distant.

31. The fact that arrears have been accumulated even in countries able to produce substantial foreign-trade surpluses indicates that foreign-exchange availability is not a sufficient condition for debt servicing. Moreover, as most of those countries' commercial-bank debt is owed directly or indirectly by Governments, debt servicing is constrained by a State's ability to finance such a payment domestically, particularly when it does not itself generate foreign currency. 25/ In other words, a Government needs resources to finance acquisition of the foreign-currency surplus from the private sector, but when that Government is unable to generate fiscal revenues quickly and instead resorts to domestic borrowing, going further into debt to pay foreign interest is no longer an acceptable option. As domestic financial markets in most of the countries under consideration are small, large increases in public debt have to be absorbed by their respective central banks. Such an arrangement leads to an excessive expansion of the monetary base, which inevitably has inflationary consequences. 26/

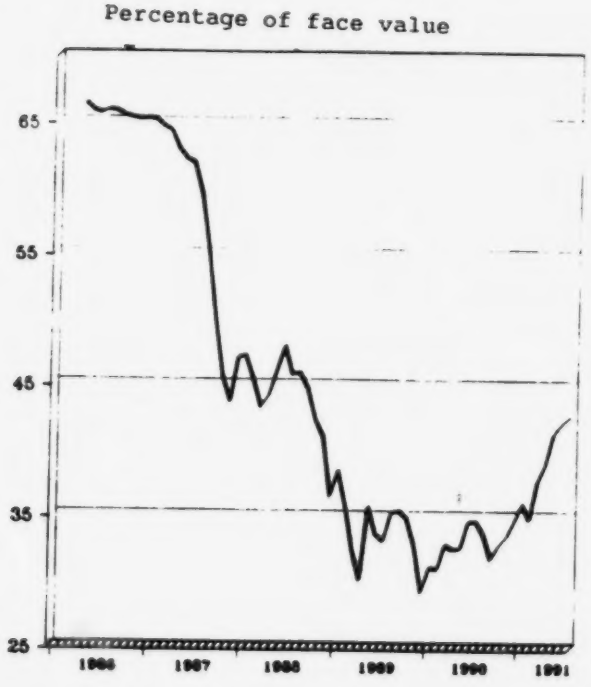
32. Although it provides some short-term cash-flow relief, the arrears option ends up inflicting heavy costs on the countries concerned, particularly those whose economies are weakest. Trade credits, if available at all, may become more difficult and more costly to obtain and foreign investment may be scared out of the country. Moreover, domestic economic decisions become more difficult to make because of uncertainty over the future macroeconomic and exchange-rate policies that might be adopted to mobilize the resources to repay the arrears. In such a climate, important investment decisions might well be postponed. None of these elements help the country return to a sustainable growth path.

33. The increase in interest arrears has been paralleled by the expansion of commercial-bank-debt reduction via debt conversions outside structured reschedulings. Debt-equity swaps, in which debt is exchanged at a discount for equity in a local investment, were among the first mechanisms developed to reduce the stock of debt and the cost of servicing it. 27/ Although a series of new mechanisms, such as debt for nature, debt for health and debt for education, have recently been introduced they have contributed very little to debt reduction owing to the small amount of debt they usually retire. 28/

34. One recent trend is the use of debt swaps to finance privatization programmes. Argentina, for instance, was able to cancel 11 per cent of its commercial-bank debt by privatizing two large public companies through debt-equity swaps last year. One reason for the increasing popularity of such an instrument is that its operations do not have the potential inflationary impact of other swaps. Since it does not involve the transfer of liquidity from the public to the private sector (assets are exchanged instead), there are no assets adding to inflationary pressures already existing within the

economy. The launching of privatization programmes with provisions for debt-swap financing in many debtor countries may help to explain the recent improvement in secondary market quotations of developing countries' debt instruments (see figure III).

Figure III. Market bids on credits of 15 developing countries, 1986-1991



Source: Department of International Economic and Social Affairs, based on data of Salomon Brothers, New York.

35. Debt conversions and debt buy-backs are not costless, however, for debtor countries. Governments must finance the operations involved, and limitations on public finances may constrain the use of those instruments, in particular when increased domestic indebtedness and additional inflationary pressure have to be avoided. 29/ Furthermore, although such operations reduce interest payments and alleviate the foreign-exchange constraint an economy faces in the short run, the swaps may exert some balance-of-payments pressure in the future as the profit, dividends and capital originating from those operations are repatriated.

V. DEBT OWED TO MULTILATERAL CREDITORS

36. In 1990, the debt owed by capital-importing developing countries to multilateral creditors, including IMF, the World Bank and the regional development banks, reached about $235 billion, which corresponded to over 19 per cent of the total stock of debt that those countries owed in that year and constituted an increase in the share of their indebtedness to multilateral creditors as well. The ratio of multilateral to total debt had been about 18 per cent in 1989 and 15 per cent in 1985. 30/ While other creditors had been pulling back or seeing their claims reduced through debt-reduction operations, the multilateral institutions had been increasing their lending.

37. Even when accumulating arrears to other creditors, debtor countries usually try to remain current in servicing the debt to multilateral creditors owing to the complete financial isolation which could result if they did not. Nevertheless, some countries were forced to suspend servicing of their debts to multilateral creditors in recent years. By the end of fiscal year 1991, arrears of six months or longer to the World Bank and IMF had risen to $1.8 billion and $4.0 billion respectively. Eight countries were in arrears to the Bank and nine to the Fund, almost the same number as for the year before (seven in arrears to the Bank and eleven to the Fund). 31/

38. Multilateral debt is not subject to formal rescheduling, which would otherwise introduce an element of payment flexibility for countries that owe a considerable portion of their debt to such institutions. Recently, however, certain creative ways of dealing with the problem have been developed, such as the "rights approach" now applied in IMF. A country in arrears cannot receive new loans from the Fund, but it can now accumulate rights towards future finance from the Fund by adhering to an economic programme monitored by the Fund. The debtor country receives financial assistance from individual donors and creditor countries to support its adjustment programme and help meet its obligations to the Fund during the period of the programme so that arrears do not increase. By the end of the timetable set by the Fund-monitored programme, arrears are to be repaid and access to Fund credit is to be restored. Indeed, the first drawing may help repay a bridge loan that clears the last of the arrears.

39. Most arrangements for dealing with the arrears problem at the Fund, the World Bank and other multilateral lenders involve the extension of financial

assistance by creditor Governments in exchange for adoption by the country in question of an economic-adjustment programme, usually monitored by IMF, that will lead the debtor, so all concerned believe, to economic recovery. Resources can be mobilized by a support group of creditor countries and accumulated in an account administered by one of the multilateral institutions. Funds are to be used to clear arrears and support the adjustment programme until normal relations with those institutions are re-established. Such arrangements have been applied in Guyana, Honduras and Zambia, and programmes for additional countries in arrears may be expected.

VI. DEBT PROBLEMS OF COUNTRIES AFFECTED BY THE GULF CRISIS

40. The invasion of Kuwait by Iraq put renewed pressures on the balance of payments of a number of developing countries as oil prices suddenly increased, worker remittances were reduced, service earnings evaporated in tourism, transportation, transit trade and other sectors, and export markets were lost. Although only preliminary and very tentative estimates of foreign-exchange losses caused by the conflict are available, those estimates indicate the order of magnitude of the losses inflicted by the crisis on developing countries, particularly those that suffered from a combination of the above-mentioned factors. In some countries, foreign-exchange losses amounted to one fourth of 1989 total foreign-exchange earnings. 32/

41. Countries without major macroeconomic imbalances that had been experiencing rapid economic growth before the crisis were able to finance the larger current account deficit caused by the Gulf conflict relatively easily, but those countries constituted just a few cases.

42. Countries that had already been experiencing economic difficulties were harder hit by the crisis. In some countries, foreign-exchange reserves that had already been very low further restricted ability to absorb the shock. In others, financial position was weakened and creditors were made more cautious when reserves were quickly run down in the face of higher oil bills and lower foreign-exchange inflows. India is a case in point. The Gulf crisis intensified the country's financing difficulties and led to increasing problems in servicing its debt by mid-1991, so that India had to use part of its gold reserves to secure new borrowings with which, inter alia, to service its debt on a timely basis.

43. Multilateral financial institutions adopted a series of emergency measures to respond to the increased financial needs of developing countries. The World Bank group increased its regular lending programmes by $1.1 billion in 1991 and expanded the IDA programme by almost $900 million in behalf of affected countries. The IMF increased the flexibility of disbursements and the effective maximum size of drawings from its existing arrangements. For instance, an oil element was added to the Compensatory and Contingency Financing Facility (CCFF), whose coverage was also broadened to include losses from a variety of services besides travel receipts and worker remittances.

44. While such efforts attest to the rapid response capacity of the Bretton Woods institutions, two difficulties remained connected with the international-scale answer to the crisis. First, the World Bank and IMF could only compensate for a relatively small share of the foreign-exchange losses experienced. Ad hoc bilateral assistance was made available to certain countries but was based on political as well as economic criteria. Moreover, despite the fact that the Gulf conflict itself and its economic consequences bore no relation to the economic policies of developing countries and were fully expected to be of temporary duration, internationally agreed adjustment programmes were still required of countries that were to benefit from the new actions of IMF and the World Bank. In other words, financial assistance was mainly seen as a supplement to that required for an adjustment effort that was needed in any event. A major concern was that the adjustment programmes should not be derailed by the Gulf crisis.

VII. CONCLUSIONS

45. The debt crisis is entering its second decade. During the difficult first 10 years of the crisis, the international debt strategy evolved considerably. With hindsight it can be said that that strategy began with a misconceived diagnosis of the balance-of-payments difficulties of heavily indebted countries, whose crises were thought to have arisen from a temporary illiquidity. After a few years, it was realized that the debt had grown far too much to be serviced in full, given the sharp decline in financial flows to developing countries and the increasing difficulties severely indebted countries were facing in resuming significant rates of economic growth. The international community gradually came to accept the idea that long-term relief was a necessary component of the debt-management strategy.

46. However, reduction of the debt burden by itself was never thought to be sufficient to reverse the dismal economic performance of debtor countries. Changes in domestic policy were also required, although there was considerable dispute about the proper content of the new policies. 33/ Sound stabilization programmes, in any event, were understood to have a better chance to succeed when supported by adequate external financing and a dynamic international economic environment.

47. How effective has the current, more structural approach to overcoming the debt crisis been? One indicator of success might be the number of debtor countries that have regained creditworthiness in the eyes of official and private creditors, as indicated by a return to regular cover by official export-credit agencies and renewed access to voluntary private-capital markets. In those terms, some progress has been registered but success has been limited. Most debt-crisis countries still need additional rounds of rescheduling at the Paris Club and the deep discounts that remain in secondary-market bids on most developing-country bank debt point to a continuing crisis. But, as noted above, there have been some signs that voluntary private-capital flows are beginning to return to some severely indebted economies in the form of project-related finance and borrowings by

private or State-owned companies and official entities. Such a trend suggests that private creditors may resume lending to countries, if not at first to their Governments directly, once those countries are making progress in debt management and following policies that are successful in stabilizing the macroeconomy and in reducing major price distortions. 34/

48. Yet, it would be premature to assert that the end of the crisis is near. General-purpose lending has thus far been resumed only to the Governments of Chile and Mexico, and in very limited quantities. Funds are otherwise usually channelled to companies that already have an international reputation and are financially strong and large generators of foreign currency. Few developing country companies meet all those requirements. Moreover, loans to such borrowers are considered highly speculative by the market and so, as interest charges are quite high, most potential borrowers are precluded from accessing the private-capital markets. Indeed, even including those countries with renewed access, debtor-country investment is still depressed and adjustment has yet to reach its payoff in resurgent growth.

49. Overall, prospects for augmented private-capital inflows in the near future are limited. It is now widely accepted that the mushrooming of commercial bank loans to sovereign borrowers that occurred during the 1970s will not be repeated because the international banking industry has itself changed considerably in the past decade and for several reasons will not take on a significant addition of lending exposure to developing countries. After the catastrophic experience of the 1980s, it seems more likely that banks will revert to their traditional role of suppliers of trade finance and project-related credits, which is not to say that credit will be easily available even for those purposes. The recent erosion in the capital base of Japanese and United States commercial banks, for example, may reduce their lending until those banks have restored their financial position. Moreover, the implementation of the Basel rules on capital adequacy, by which banks have to hold capital equivalent to at least 8 per cent of their risk-weighted assets, may leave fewer funds available at a higher cost, even to creditworthy developing countries. 35/

50. Foreign direct investment is another source of capital that seems willing to undertake the commercial risk of investment once the uncertainties associated with the debt overhang are cleared up and the economic policies pursued by the potential host country are perceived as leading towards sustainable growth. Foreign direct investment, however, can meet only a portion of the needs for development finance.

51. In sum, although flows of direct investment and new lending to certain highly indebted countries will probably increase, the prospective volume of such flows is not likely to be adequate. Increased international cooperation is called for to augment the international capital flow to heavily indebted countries or, equivalently, help reduce their financial needs. Two means for undertaking a reduction in those needs suggest themselves.

52. First, much of the discussion about how to alleviate the debt burden of developing countries would not have even been necessary if their export earnings had increased adequately. Developing countries - at first unevenly, but now generally - have been making supply responses in the face of falling international prices. If export earnings are to reduce the need for external finance, export-promotion policies and export-diversification strategies should be supported by improved and predictable access to markets.

53. Second, debt-servicing difficulties would be eased thereby releasing resources for investment and growth, if real international interest rates were lower. At the moment, there is some concern that new demands for reconstruction in Eastern Europe might drive up those rates instead of lowering them, but the recession in major industrialized countries has given rise to some political pressure to ease monetary stringency. Fears of resumed inflation persist, however, and a shift in the macroeconomic policy mix towards greater fiscal restraint would seem necessary if long-term real interest rates are to fall to levels more compatible with long-term growth potential and financial stability.

54. In addition, although the present international approach to the debt crisis has helped stabilize the economic situation in some countries and has demonstrated that debt-reduction schemes are practical and do not adversely affect the international financial relations of other countries, the international debt strategy needs to be strengthened. That that strategy has not delivered what it had proposed, namely, a significant reduction of the debt burden, is partially due to the compartmentalized approach to debt negotiation.

55. Middle-income countries that are substantially, but not exclusively, indebted to commercial banks have had their debts restructured mainly through bank advisory committees and may obtain relief if a Brady-style package is negotiated. Low-income countries, whose debt is largely, but not solely, owed to bilateral official creditors have had their debt restructured through the Paris Club and relief is granted through use of the Toronto terms. The problems of the least developed and other low-income countries that have substantial commercial-bank debt, as well as those of middle-income countries that are heavily indebted to bilateral official creditors, have not been adequately addressed.

56. The commercial-bank debt of least developed countries has usually been restructured under the same mechanism of bank advisory committees as has been used for countries negotiating Brady-style packages; however, no concessions have been granted so far, since the negotiations have been limited to the rescheduling of principal payments only and market interest rates have been applied. The Debt Reduction Facility (DRF) introduced in the World Bank in August 1989 for IDA-only countries, for which most least developed countries qualify, represents an important step forward in relieving those countries of their commercial-debt burden; 36/ but progress in using that Facility has been disappointing and, thus far, only one country has benefited from it. Obstacles to a wider use of the Facility need to be removed so that qualifying

countries can take advantage of its existence. The resistance of banks to relinquishing their claims may be reduced if greater incentives are made available through regulatory and tax-relief measures.

57. With respect to the official bilateral debt owed by middle-income countries, Paris Club terms (aside from the special treatment accorded to Egypt and Poland) are rather stringent. Although the so-called Houston terms attempt to deal with official debt owed by the lower-middle-income countries, they offer only a lengthening of repayment terms and do not entail concessionality. A more concerted approach therefore seems necessary so that the positive impact of relief measures that affect specific shares of a country's total debt, that is, the eligible debt, is not offset by lack of action covering the remaining debt that is not subject to concessions. As the logic of special cases emphasizes, a deeper cut into the debt overhang should be available to all developing countries in economic need that are undertaking major adjustment efforts.

58. Another shortcoming in the international debt strategy is that the amount of relief actually wrested from international commercial banks included in a restructuring agreement is very modest. As was seen above, net debt-service relief associated with restructuring commercial-bank debt has been small, especially when combined with increased debt-servicing payments to multilateral and other official creditors for loans to support enhancements. Relief accorded to debtors may even be said to have served mainly to legitimize the overall international financial cash flow, or net financial transfer, that those debtors previously achieved through arrears.

59. Relief granted by the Paris Club to low-income countries under the Toronto terms is not considered adequate, not even by the seven major industrialized countries, as was attested at their recent London summit meeting. The overall grant element on Paris Club arrangements for low-income countries has been about 20 per cent on average, which is less than one quarter of the average grant element on new loans and grants to those countries from official sources.

60. There is room to improve the effectiveness of the current debt strategy by raising the scale of debt reduction and enlarging the scope of debt eligible for restructuring. The actual degree of relief needed in any particular case has to be seen in terms of the overall financing needs of the adjustment programme and of a realistic appraisal of the medium-term debt-carrying capacity of the economy. Systematic application of this more comprehensive approach would help countries remove once and for all both the investment disincentives associated with the debt overhang and the uncertainties generated by the need for frequent reschedulings.

Notes

1/ World Economic Survey, 1991 (United Nations publication, Sales No. E.91.II.C.1) and Trade and Development Report, 1991 (United Nations publication, Sales No. E.91.II.D.15).

2/ Debt owed to official creditors represented 54 per cent of developing countries' total debt in 1990. The share was 50 per cent in 1989 and about 41 per cent in 1982, the year the debt crisis emerged (see World Economic Survey, 1991, table A.34).

3/ See World Bank, World Debt Tables, 1990-1991, vol. I, box 4, p. 21.

4/ Estimates of the UNCTAD secretariat based on information provided by the Secretariat of the Organisation for Economic Cooperation and Development.

5/ UNCTAD, The Least Developed Countries: 1990 Report (United Nations publication, Sales No. E.91.II.D.3), pp. 34-49.

6/ Chile has been the only Latin American country thus far able to benefit from the debt cancellation provisions contained in the EAI. The $16 million forgiven pertained to PL-480 loans (for food aid) contracted by Chile.

7/ See "The recent evolution of the international debt strategy" (A/45/656).

8/ Following the Toronto summit conference of the seven major industrialized countries held in June 1988, the Paris Club adopted a menu of options, the so-called Toronto terms, to be chosen by creditor countries in rescheduling the official debt of low-income countries. For non-concessional loans, it included (a) partial forgiveness with up to one third of debt service due during the consolidation period; (b) a longer repayment period (25-year maturity, 14 years of grace) at market interest rates; and (c) concessional interest rates (14-year maturity, 8 years of grace). Concessional debt was rescheduled with 25-year maturity and 14 years of grace at an interest rate that would be at least as low as the original rate. The Houston terms, which are applied to lower-middle-income countries, also resulted from recommendations coming from a summit meeting, held this time in Houston, Texas, in June 1990. Concessional loans were rescheduled with a 20-year maturity, including up to 10 years of grace; non-concessional loans were rescheduled with a 15-year maturity and up to 8 years of grace. Such treatment allows limited numbers of debt-equity swaps and other debt conversions by creditor countries on a voluntary basis. In conventional reschedulings, in contrast, the maturity and grace period are normally 10 and 5 years respectively.

Notes (continued)

9/ In the case of Poland, debt reduction will occur in two stages: 30 per cent up front and 20 per cent after three years. For Egypt, reduction will take place in three stages: 15 per cent up front, 15 per cent after 18 months and 20 per cent after three years. In both accords occurrence of the first stage was contingent upon the countries' signing an agreement with IMF to restructure their economy while subsequent stages are dependent on adherence to the terms of that agreement (see UNCTAD, Trade and Development Report, 1991, part I, chap. 2).

10/ London Economic Summit 1991, Economic Declaration, para. 44.

11/ The United Kingdom proposal also suggested that the Paris Club reschedule the total stock of eligible debt in a single operation rather than in tranches that the remaining debt be rescheduled over 25 years, including 5 years of grace and that interest payments be capitalized for the first 5 years. The proposal was introduced by the United Kingdom at the meeting of Commonwealth finance ministers held in Trinidad in September 1990.

12/ For details, see UNCTAD, Trade and Development Report, 1991, part I, chap. 2.

13/ Debt equity swaps were already in use by some countries before 1988. The case of Chile is a prominent example. Debt conversions and buy-backs were also present in some of the negotiations held within the framework of the market-menu approach. For details, see World Economic Survey, 1989 (United Nations publication, Sales No. E.89.II.C.1), pp. 71-75.

14/ The following is largely a summary of the analysis, which includes detailed discussion of specific agreements, in the World Economic Survey, 1991, pp. 160-168.

15/ For example, disbursements on a stand-by agreement that Costa Rica had negotiated with IMF were suspended due to the Government's failure to meet agreed fiscal targets. Support for the programme was eventually obtained from other sources and Costa Rica's own resources. Nigeria has also reached a stand-by agreement with IMF but does not intend to draw on it to support its package with commercial banks. Resources for clearing Nigeria's arrears and the buy-back will come from the country's own reserves.

16/ Outside that range are the Venezuelan "step-down, step-up" bonds, designed to accord temporary interest relief, whose interest rates average 5.8 per cent during the first five years.

17/ The size of the negotiated discount on face value usually reflects the amount of collateral available and the expected market price of the new bond. For details, see World Economy Survey, 1990 (United Nations publication, Sales No. E.90.II.C.1), p. 89.

Notes (continued)

18/ The Costa Rican agreement alleviated the country's scheduled debt-service burden but not its debt-related cash flow since Costa Rica had not been fully servicing its debt.

19/ Such data notwithstanding, by their agreements debt service was reduced for all those countries, notably Venezuela, whose yearly debt-service reduction averaged over 5 years will fall, it was estimated, by almost 6 per cent of 1989 gross domestic product (GDP) (for details, see World Economic Survey, 1991, pp. 162-164).

20/ Outside that range was the Philippines, whose total debt-service relief represented less than 0.5 per cent of its 1989 GNP. For details, see World Economic Survey, 1991, pp. 162-163.

21/ The Uruguayan agreement was announced in December 1990; the Moroccan agreement is dependent on the conclusion of an extended arrangement with the International Monetary Fund, and the Nigerian package has been facing some difficulties and as of mid-1991 has not been implemented.

22/ Funds obtained have been mostly company- or project-related. Credit has been extended to public enterprises by the floating of bonds in the United States and on European markets. Yields offered on those bonds have been very high, reflecting their perceived risk, with private companies paying the highest interest rates. Co-financing and pre-export loans have also been made available. Some Mexican companies have been successful in raising capital abroad by issuing equity on the international market. For details of individual arrangements, see N. Peagan, "Brave New World", Euromoney (March 1991), pp. 59-66.

23/ In July 1991, Petrobras, the Brazilian State-owned oil company, successfully launched $200 million worth of bonds in international markets, that launching constituted the first Eurobond issue by a Brazilian borrower since the emergence of the debt crisis.

24/ For a summary of the problems faced by financial systems in Japan and the United States, see World Bank, Global Economic Prospects and the Developing Countries (Washington, D.C., May 1991), pp. 35-37.

25/ Governments generating large shares of foreign-exchange revenues may face similar difficulties whenever there is a persistent decline or marked instability in the world prices of the exports they control.

26/ Even in countries with more developed financial markets, Governments can only mobilize financial resources by maintaining attractive real interest rates. In the context of persistent inflation that strategy implies the need to roll over an expanding and inflation-led domestic debt, thus making fiscal adjustment an elusive goal.

Notes (continued)

27/ Debt-equity swaps retired about $34 billion of developing country debt during 1985-1989. For details, see World Bank, World Debt Tables, p. 64.

28/ Costa Rica's programme, however, is an exception: debt-for-nature swaps undertaken during the period 1987-1989 cancelled about 5 per cent of the country's commercial-bank debt outstanding in 1987.

29/ For low-income countries, debt reduction is sometimes possible only through grants made by donor countries and soft loans offered by multilateral creditors. In early 1991, the Niger became the first country to benefit from a facility established by the International Development Association (IDA) to help low-income countries reduce their commercial debt. With a grant from IDA and additional funding from two donor countries, the Niger erased 97 per cent of its commercial-bank debt.

30/ Based on data of World Economic Survey, 1991, table A.34.

31/ Based on information supplied by the Bank and the Fund (fiscal year ends 30 June at the Bank and 30 April at the Fund).

32/ The following presentation is based largely on "Economic, social and environmental consequences of the situation between Iraq and Kuwait and its short-, medium-, and long-term implications" (E/1991/102).

33/ These controversies are reviewed in another report to the General Assembly. See "Economic stabilization programmes in developing countries" (A/46/385).

34/ In the early 1980s, extensive decentralized borrowing built up claims on foreign-exchange earnings in some countries that exceeded their carrying capacity. In response, and to help developing countries generally in better monitoring and managing their external-debt obligations, the international community has been fostering the design and dissemination of debt-management systems by UNCTAD (funded by the United Nations Development Programme), by the Commonwealth secretariat and by the World Bank. Re-emergence of new borrowing activity of the private sector and state enterprises accentuates the importance of such comprehensive systems of debt registration and management in developing country Governments.

35/ For a review of recent developments in the restructuring and supervision of major financial markets, see Bank of International Settlements, Sixty-first Annual Report (Basel, 10 June 1991), pp. 102-118.

36/ For details, see UNCTAD, The Least Developed Countries; 1990 Report, p. 46.